Building a Purpose of the Company: Friedman and Freeman as Beacons in a Pragmatist Theory of the Firm

Frank Jan de Graaf

Amsterdam University of Applied Sciences, The Netherlands

When considering the implications of the shareholder-stakeholder debate in defining the purpose of a company, epistemological clarity is vital in this emerging theory of the firm. Such clarity can prevent recurrence based solely on rephrasing key terms. To understand how various stakeholders develop and interpret a shared purpose, I argue for the necessity of a pragmatist approach that is normative and process-oriented. Mental models play a crucial role in interpretive processes that define decision-making, where individual perspectives converge. The figures of Milton Friedman and Ed Freeman serve as "beacons," as artefacts, in the transmission of knowledge through which we, as individuals, shape a shared understanding. In current societies, profound polarization obstructs solutions to grand challenges. Pragmatism starts by questioning the underlying values of everyone involved. It assumes that sound deliberative processes are the only way to reach real solutions—not only for the mind but, above all, for the heart.

Key Words: pragmatism, business and society, corporate governance, corporate purpose, decision-making, mental models, heuristics, artefacts

W ithin the development towards more sustainable societies, corporate purpose is increasingly seen as a critical concept (Gartenberg & Zenger, 2022; Henderson & Van der Steen, 2015; Mayer, 2021; Stoelhorst & Vishwanathan, 2024). Corporate purpose is an "intrinsically imprecise concept" (Gartenberg & Serafeim, 2022: 4) that is challenging to define and measure (Mayer, 2021), given its historical, cultural, integrative, normative, and stakeholder-dominated nature (Ocasio, Kraatz, & Chandler, 2023).

Corporate purpose has strong relationships with various research areas that discuss the relationship between business and society: fields such as stakeholder management, sustainability, corporate social responsibility, and corporate governance. This article focuses on the theme of purpose because, following Mayer (2021), I believe that identifying the objective of the company can be more productive than the shareholder-stakeholder dichotomy. Using corporate purpose as a starting point puts social issues at the heart of the theory of the firm.

However, we can only overcome this dichotomy if we reconsider the epistemological starting point of the approaches. The stakeholder perspective and the shareholder perspective of the firm both struggle with related epistemological issues. In

short, Milton Friedman's economic orientation represents a shareholder perspective that does not explain how profit is related to other values, while Ed Freeman's stakeholder perspective is not able to account for conflicting preferences in positivist or constructivist approaches in business and management. A new perspective on the company should overcome the epistemological limitations of its predecessors. Epistemology becomes relevant when definition and measurement issues occur, as well as when rephrasing a research area could imply that discussions start all over again, using different words and concepts. Current developments in the US seem to suggest this, where the shareholder-stakeholder dichotomy is currently being rephrased and re-debated (e.g. Bebchuk & Tallarita, 2020; Rhodes, 2021). The resulting serious societal consequences include laws that may well prevent companies from developing sustainability policies.

When we delve into epistemology, the economic (and therefore shareholder-related) objective of the firm is problematic. Donaldson (2012) demonstrates that efficiency cannot be the only measure to assess companies. He suggests that "organizational identity" should be added, but he is less clear about what this is and how it should be achieved. Stakeholder theory has struggled with similar epistemological issues from the start (e.g. Bebchuk & Tallarita, 2020; Bowie, 2012; Van der Linden & Freeman, 2017). After decades of study, it is still difficult to assess performance, account for stakeholder interests, and take behaviour into consideration—that is, make stakeholders human (Freeman, Phillips, & Sisodia, 2020). Research on corporate purpose also seems to struggle with similar epistemological issues (Clegg, Cunha, Rego, & Santos, 2021: 11), which leads to a wide variety of similar questions (e.g. George, Haas, McGahan, Schillebeeckx, & Tracey, 2023).

This article develops an epistemological starting point about how individuals develop, organize, and institutionalize a shared purpose. In decision-making, individual stakeholders have to deal with a wide variety of ideas and interests simultaneously. In complex processes, they consider a variety of issues and come to a decision. Concepts and underlying theories are often not articulated, and proof of assumed relationships between them is not (always) on the table.

Understanding this process is challenging for scholars, since we tend to work differently. In academic practice, limiting the number of concepts is critical. Measurement demands a clear logic that requires well-drafted concepts and traceable relationships between them. This article faces a similar challenge, discussing three fields of research—pragmatism, mental models, and corporate purpose—which are all subject to complex debates.

Pragmatism offers an explanation of how purpose, as a super-ordinate goal (Ocasio et al., 2023), develops over time by integrating various perspectives and values in specific situations, by solving problems (Mayer, 2021). Normative notions are integrated within deliberative processes in which stakeholders play a role. The presented perspective can help explain how a purpose can become part of the hearts and minds of all stakeholders, how individuals deal with related ambiguities within their understanding of purpose, and how they integrate a variety of purposes. Pragmatism is goal-oriented and puts deliberation in a central role in a historical process involving all stakeholders (Martela, 2015; Pappas, 2008). Pragmatism

uncovers the internal structure in which moral principles are located and which can be defined as a mental model, a certain stability in the flow of human thinking and actions.

Mental models are cognitive representations tied to emotional and habitual merits (see Cohen 2007a), which influence the general and ethical behaviour of individuals in specific situations (e.g. Bagdasarov, Johnson, MacDougall, Steele, Connelly, & Mumford, 2016; Werhane, 2008; Werhane, Hartman, Archer, Englehardt, & Pritchard, 2013). The concept has been developed in cognitive science (e.g. Johnson-Laird, 1983) and is gaining more attention in management and organization, for example from researchers who study negotiation (e.g. Liu, Friedman, Barry, Gelfand, & Zhang, 2012). To put it in metaphorical terms, mental models can be seen as beacons in the flow of information in the decision-making process around mental models, or can even act as a stone in the shoe, something that starts to hurt when interests are at stake in decision-making when the regular path seems to obstruct progress.

The outcome of this article is a normative approach to the purpose of the firm, consistent with the characteristics outlined by Bishop (2000) regarding normative theories. My proposal for pragmatism entails the identification of moral principles, their justifications, and a decision principle for business professionals and others to employ in specific scenarios. It also addresses the determination of which stakeholders' interests should be taken into account within applicable legal and regulatory frameworks (Bishop, 2000).

In this article, I primarily use the word "purpose," a word suggesting critical normative connotations (Ocasio et al., 2023), more than words like interest, identity, goal, objective, or "end." However, I will occasionally use such terms as goal, objective, or end as synonyms for purpose. This is in line with a recent pragmatist emphasis on "thick concepts" (see Gersel & Johnsen, 2020; Van der Linden and Freeman, 2017). The critical role of "purpose" is that it suggests a direction, not an end-state (Mayer, 2021), which is very much in line with pragmatism (Martela, 2015). Various scholars have recently suggested that pragmatism in general, or pragmatist scholars such as Mary Parker Follet and Chester Bernard, are relevant to understand purpose (e.g. Adler & Heckscher, 2018; Gartenberg & Serafeim, 2022; Kaplan, 2023; Ocasio et al., 2023). Approaches to corporate purpose currently lack an explicit epistemology (Clegg et al., 2021).

After positioning the debate in more detail by discussing the epistemological issues of the stakeholder-shareholder dichotomy, I discuss pragmatism as a normative approach and the related epistemology. In the third section, mental models are placed in relation to decision-making rules (heuristics) and artefacts that are used in decision-making. Mental models are developed based on the role decision-makers define for themselves in relation to their organizational context. Artefacts—representations—often play a central role within these processes. Pragmatism enables a multilevel analysis of how individuals and their organizations integrate a variety of purposes.

THE PURPOSE OF THE COMPANY AS AN EPISTEMOLOGICAL ISSUE

Epistemological Limitations of Shareholders, Stakeholder, and Purpose Perspectives

Milton Friedman (1962, 1970) is probably the economist with the most references in literature on corporate governance and on business and society. Many scholars have questioned his statement that—paraphrased—the business of business is doing business. Friedman was wary of managers using their company as an instrument for their own politics, opinions, and interests. Economics and the assessment of economic actors should focus on decent financial performance within the limits of a democratic society, Friedman emphasized. Politicians and their voters should decide the boundaries of the firm.

Thomas Donaldson (2012) argues that epistemologically, the economic perspective cannot work. Financial performance cannot be measured in isolation; it has to be measured against something else. Dominant economic theories do not give guidance about what other values could be relevant in decision-making other than profit optimization (agency theory) and efficiency (transaction cost economics). He demonstrates that this is a critical omission, not only epistemologically but also from a moral and pragmatic perspective. He ends his analyses by suggesting that scholars should develop an integrated "identity model" of corporate governance in which economic values are related to implicit social contracts. A company should be seen as an identity in which a variety of values are integrated, including economic efficiency and stakeholder interests.

In the areas of business and society research, but increasingly also in corporate governance theory, the idea of a company serving a wide variety of interests is becoming dominant (Harrison, Phillips, & Freeman, 2020; Mayer, 2021). Recently, the US-based Business Roundtable issued a statement defining the purpose of the corporation in stakeholder terms, making the question of how to integrate various interests more relevant for companies. Friedman and others never question that a company has to take the interests of stakeholders into account, nor have proponents of a stakeholder perspective on the company questioned the importance of some degree of profit. Stakeholder approaches struggle with similar issues (Bowie, 2012).

The critical issue is the relationship between the purpose of the company and the accountability for reaching this purpose. Friedman assumes that corporate policies should ultimately be assessed based on financial terms, whereas Freeman assumes that a variety of results can be subjected to such assessment. In other words, Friedman is wary of managers who take political ideas on board, whereas Freeman thinks politics is part and parcel of managerial processes. Where one assumes that the unique organizational feature of a company is its economic objective, the other emphasizes social relationships in business.

The Epistemological Complication

The complication here is that it is difficult to assess how a company deals with a variety of values and interests in its decision-making. Proponents of a unified

corporate objective function—in which financial profit is a dominant measure—such as Jensen (2002) and Williamson (2002) have never argued that other values than profit are unimportant. A critical point in their argument is that these other values are difficult to assess, which can lead to unhealthy managerial discretion. The main reason for putting financial indicators in a central role is pragmatic. Financial outcomes are—to a certain extent—measurable and comparable. This seems to facilitate the assessment of companies and their managers. If stakeholder theorists state that various issues are important in economic behaviour, hardly anything is truly important, as Jensen and Williamson bring to the table. Literature on business and society mainly describes a variety of stakeholders, interests, and values as being important, but gives little guidance as to when each individual issue is important. Friedman's question about the political nature of societal policies of companies has not been sufficiently addressed either (Rhodes, 2021).

The problem of bringing together various objectives or purposes is related to the nature of scientific knowledge. It is an epistemological question, as Donaldson (2012) demonstrates. Management scholars are struggling to capture causal complexity (Furnari, Crilly, Misangyi, Greckhamer, Fiss, & Aguilera, 2021). The configurations in which individuals operate are difficult to encapsulate in models that help scientists understand decision-making in practice. A large variety of configurations influence the behaviour of individuals and organizations. At the same time, goal orientation is critical in thinking about economics and organization. We *have* to assume that individuals, companies, and societies have a purpose, a specific goal that drives their behavior. To understand behavior—and its assessment—we need an end, a goal, objective, or purpose. At the same time, it is very difficult to define a purpose in relationship to other purposes, in addition to the difficulty of finding the right means to reach an envisioned purpose. For example, when reading this article, what purpose does it serve? And does that then mean that other purposes of life are less important at this moment? This can also be extrapolated to the purpose of companies. In principal-agency theory, still the most dominant corporate governance theory, an assumption is that a manager has a different objective than a shareholder. Nevertheless, they have to work together and agree on a certain purpose for the company. If we assume that a company has more than one purpose, or that the economic purpose of the company should be related to other purposes, we have to understand "where" and how the purposes come together. In other words, what is the epistemology—related to the nature of information and knowledge—needed to understand the "purpose of the firm"? This goal orientation is even more crucial given the economic role of companies in society. Where other organizations may have diverse purposes and related continuity issues, a company assumes that profit is an important feature of its existence.

PRAGMATISM AS A NORMATIVE APPROACH

Crossing the Epistemic Fault Line: Between Positivism and Constructivism

Beyond the duality between one corporate objective and the company as a multi-constituency, there are more dualities in the social sciences. In organization and

management research, there seems to be an implicit conflict between two approaches (Christofi, Hadjielias, Hughes, & Plakoyiannaki, 2021). On the one hand, researchers try to be as specific as possible in developing measurable concepts that can be assessed and display the most critical features in any given relationship. On the other, researchers want to understand and assess the full picture and processes in all their steps and details, directly related to sound theoretical underpinnings.

This duality also appears in research on corporate purpose. The work of Gartenberg (2022) and Gartenberg and Serafeim (2023) on the theme of purpose has been questioned by Clegg et al. (2021) as being "functionalist," using a positivist approach in research. This means that purpose is seen as a stable feature that is clearly defined and thus measurable. Purpose should be an open-system term, as argued by Clegg et al. (2021). As such, it is highly interpretive and individual. The epistemic fault line that Donaldson (2012) sees in the understanding of the role of companies in economies also seems to exist in research on the theme of purpose.

Pragmatism as a Third Way of Research

Pragmatism is seen as a third way, together with various other forms of realism (for an overview, see Martela 2015; Van de Ven, 2007). A pragmatist approach to the purpose of the company challenges a "functionalist" perspective of management and organization in which values are part of a puzzle, almost mathematical in nature. In management, functionalist approaches—which are most often rooted in positivism (Christofi et al., 2021)—try to make management more effective by measuring outcomes of policies and behaviour (Koss Hartmann, 2014; Watson, 2001). Pragmatism questions the assumptions that results can be assessed in one best way, resulting in one or more measures. It is impossible to reduce a firm to a balance sheet in which all elements and interests can be united, and various parts can be left out, as proponents of a unified corporate objective function seem to suggest. A balance sheet is always part of a larger process of inquiry in which the end-goals of the people involved are decisive in the expected outcomes. It has to be related to a cash flow statement, a profit-and-loss account, and a large variety of contextual factors to give a fair picture of a company. Pragmatism questions a constructivist approach by assuming that individuals live in a shared reality and need each other to understand this reality to the best possible extent. A company's balance sheet is not only a social construct representing power relations, but also serves as a tool to explain something about a shared reality. Below I will position pragmatism in more detail.

Pragmatist Assumptions

Pragmatism is a complex philosophical arena with a wide variety of perspectives and traditions. For the purpose of this article, I try to stay close to an upcoming perspective in management and organization, represented by Wicks and Freenan (1998), Pappas (2008), and Martela (2015). I will mention insights that characterize a pragmatist normative approach to reality below (summarized in Table 1).

A pragmatist epistemology assumes an integral approach to reality, meaning that individuals develop objectives given a certain situation embedded in a historical development. We cannot develop stable scientific knowledge based on induction

Table 1: Pragmatist Epistemology, a Third Way between Positivism and Constructivism

	Positivism	Pragmatism	Constructivism
Epistemology	Our statements and reality achieve correspondence through inductive verification or deductive falsification.	Abductive: Driven by goals and practical consequences, within inquiry processes, we can approximate reality to a certain extent at a given moment.	There is no privileged epistemology due to the incommensurability of discourses.
Knower	The knower is independent of reality; the mind can mirror reality.	Driven by cognitive frameworks which affect their perception of the world and which develop in deliberation processes	The knower is in the world and cannot stand outside their own frame of reference.
Value-fact distinction	The purpose is a fact, but everyone can have different values about it.	Facts and values are intertwined, and values become visible in actions, interactions, and deliberation processes.	Facts and values are solely personal.
Language	Language is value-free and a means to mirror the world.	Language is not self-referential but actionable in dialogue and functions to meet the agent's goals and purposes.	Language is self-referential.

Note. Based on Van de Ven (2007: 38), adjusted using Martela (2015) regarding epistemology and fact-value distinction. This table simplifies dominant paradigms in business ethics to position pragmatism between positions inspired by the objectivist-positivist paradigm and by the subjectivist-constructivist paradigm (see also Kim and Donaldson, 2018).

and deduction. Based on the goals we have as individuals, goals which are entwined by cognitive assumptions and related emotions, we "query" our world in processes of abduction (e.g. Martela, 2015) and make decisions within this specific situation. Researchers are not able to come up with the best solutions in every circumstance (generalizations), as functionalism suggests. For example, a balance sheet helps to understand parts of the company at certain moments. On other occasions, the leadership style of a CEO is more decisive. These inquiry processes are social, and together we can approximate what we see as "truth." Pragmatists assume that these processes, when executed as best as possible, facilitate progress in the individual, and thus in their companies and society. This is where it diverts from social constructivist approaches.

This leads to a second characteristic of pragmatism: the critical importance of dialogue or deliberation in developing an understanding of reality. An individual mind is not independent of reality and cannot mirror reality. Fundamentally, in a pragmatist understanding of reality, science is simply the pursuit of this understanding (Wicks and Freeman, 1998: 129). Theory and theorists cannot claim detachment, as better positioned to understand reality than other individuals. Rather, science represents a technique. As such, the result of scientific inquiry is not merely one opinion amongst others. The methodology researchers follow and the dialogical nature of this methodology are critical, whether or not they consider various perspectives following academic standards such as reliability and validity. A serious dialogue involving mutual questioning of cognitive representations leads to

convincing results in the eyes of all stakeholders. Functionalism and constructivism tend to focus on the individual here.

The third characteristic is that this individual understanding is not only relational, but is also driven by certain assumptions. What we see as reality is in fact driven by purpose, a normative idea of an individual about what they should strive for (Martela, 2015; Pappas, 2008). In our daily experience, we "query" reality by developing ideas that enable us to attain certain needs. The relational nature of pragmatism implies that facts and values are entwined. This makes it different from the individual perspective of many functionalist and constructivist approaches. Where a functionalist assumes that an individual can differentiate between fact and value, constructivists (and social constructivists) tend to emphasize that the individual cannot abstract themselves from the social construction they are in.

Here, specific needs and the means by which they should be achieved are not facts but "warranted assertions," beliefs that are grounded in reality and are true in specific situations within a context. Dewey (1938) stresses the importance of assertions, because our ideas about reality can change, thus affecting how we see the facts. Crucial in this process are inquiries with the end in view. When individuals face a problem, we start inquiring and take action to solve the situation. Depending on the issue at stake—assuming a specific end state—people set their preferences and try to develop into a better situation. This implies that facts and values are entangled (Buchholz & Rosenthal, 1996). We cannot say that we have economic processes that are separate from ethical processes. Every social process is ethical as well. Again, many functionalist and constructivist thinkers tend to emphasize the process within the individual.

A fourth characteristic of pragmatism is related to the role of language in dialogue. The dialogue in which understanding develops is driven by goals which are normative. Within this dialogue, abduction is a normative, interpretive, and narrative process. Martela (2015) describes this interpretive process as a creative process in which assumptions are tested, leading to new assumptions. As such, deliberation and learning are two sides of the same coin. It can therefore be stated that language is not a value-free mirror of reality, nor is it self-referential. "Thick concepts" guide these processes (Van der Linden & Freeman, 2017).

Again, summarizing a philosophical tradition is challenging. For the purpose of this article, it is important to note that, compared to positivism and constructivism, pragmatism has a different perspective on how individuals develop knowledge about their environment—including the organizational forms in which they function. Individuals have goals, ideas, and achievements that they appreciate. In social, abductive processes, they are able to *adjust* and *attempt* to achieve them, given a specific context. This can lead to shared goals.

The Decision-Making Process Is Decisive for the Quality of the Purpose of the Firm

The emphasis on the historical, situational role in which decisions are made and in which individuals develop their goals does not imply that pragmatism is relativist or that there are no measures regarding the quality of decision-making.

Pragmatism assumes that individuals experience the world in a process of collective inquiry driven by ethical choices, also framed as deliberative processes (Gersel & Johnsen, 2020). Implicitly, individuals test whether their assumptions are still valid in a given situation, thus gauging fallibility (Martela, 2015). The process is crucial in assessing a specific issue and determining whether ends are met, whether research meets the needs of the people involved. This does not mean that everything is in constant flux or that there is no stability. For example, human survival is always dependent on basic needs like food, water, and housing. However, sometimes water is critical, sometimes food is even more critical, and sometimes the need for housing is decisive. Also, this implies an interrelationship between ends and means. This can lead to extreme and counterproductive actions. The need for food—a simple fact of life—can become life-threatening if the balance tips towards morbid obesity.

The central argument in this dialogical understanding of knowledge is that no one can claim exclusive insight but that the research community should collectively arrive at reliable and valid insights (see also Wicks & Freeman, 1998). The process in which these insights are developed and their usability in practice decide the *quality* of a certain action, such as a reconstruction project, but also a lecture or report. Martela (2015) describes criteria to assess quality in more detail. First, all relevant perspectives and interests are taken into account. Second, the integration of such perspectives is a critical issue. Third, the process of inquiry, of deliberation, is crucial. Which ends are we assuming, and what kinds of means are necessary to achieve those ends? The role of the various stakeholders is also critical here. Is everyone at the table, and does everyone have the freedom to speak up? This makes deliberative processes anything but straightforward. It is an "abductive pondering" of various values and arguments. In this process, decisions also have to be made about who is a stakeholder within a certain case, which is a normative question in and of itself. This critical importance of developing sound deliberative processes can be considered the fourth assessment criterion. All of these are process criteria. Pragmatism is interested in how people construct their reality in practice, from a starting point which resembles that of Bourdieu (1977) and Schatzki (1996), who developed a theory of practice. In pragmatism and a practice perspective, ethical values are part of practices with specific goals and develop in a continuous process construction, which means that individuals develop values about reality by questioning and problematizing the guiding values of vested organizational practices (e.g. Clegg, Kornberger, & Rhodes, 2007; 107; Cabantous, Gond, & Johnson-Cramer, 2010).

This pragmatist claim has some legitimacy, but overemphasizing practice can lead to exemplary "proof" and oversimplified definitions, as seems to be common practice. This is a very serious issue that leads to a paradox. Once pragmatist scholars start theorizing and developing empirical studies, the practical orientation tends to disappear. This is illustrated by William James, a Harvard professor and one of the founders of both pragmatism and psychology as scientific fields of research. He suggested being proud of not having a PhD title, arguing that philosophy as a discipline contradicts the "free development of talent" (see Stuhr, 2023: 73–76). As such, the theoretical article you are currently reading is, in many respects, an

example of this pragmatist paradox, using a wide range of definitions derived from various fields and illustrated with examples, arguing that deliberation in practice is important based on theoretical insights.

In his work on Dewey's ethics, Pappas (1997, 2008) analyses the practical orientation of pragmatism. Based on the assumption that experience is key to everything we do and are able to know about the world, Dewey developed a methodology in which theorizing and imagination are critical. We cannot experience the world without making certain assumptions beforehand. Developing our assumptions enables us to understand better what we experience, learn, and develop ourselves in our relationships with others. In their experiences, they are goal-driven, want something to happen.

This goal orientation is a good starting point for developing a theory of the firm in which multiple objectives and values are identified and integrated. Some kind of internal structure drives our behaviour and evaluates our decisions in relation to the decisions of others and their impact on our environment. Here, pragmatism has critical normative assumptions (e.g. Martela, 2015). According to the pragmatist account of decision-making, the quality of deliberative processes is decisive in making *good* decisions (Pappas, 2008). Within these processes, no one should be excluded, and every feeling should be taken seriously; these stakeholders have to be open to serious inquiry to find the best possible solution for everyone at the table. When citizens engage in these processes, a *better* society should develop (Mead, 1935).[1] As such, pragmatism offers a normative perspective on organizing corporate governance and managers' obligations, as well as a perspective usefully applied to questions about the purpose of the company.

PURPOSES IN INQUIRY: MENTAL MODELS, ARTEFACTS, AND HEURISTICS

The emphasis on processes in a pragmatist epistemology has ontological implications that also imply where the purpose of the company can be found. It gives a new perspective on various questions, such as the nature of the shared idea the individuals are developing, and what is at stake in deliberative processes that are historical, contextual, and individual, and at the same time bring individuals together over a longer time when necessary. Pragmatism and theories on business and society— including stakeholder and corporate governance theories—all have a focus on decision-making processes. The critical assumption is that the outcomes will be constructive when a decision is made properly (Donaldson, 2012). Issues arise when we have to define what is good and for whom, as described above. Decision-making

---

[1] Pragmatism assumes that there is something of a "moral background" (Abend, 2014). There is a shared reality and everything we do, everything we think, is an attempt to make shared values visible. Pragmatists like James (see Stuhr, 2023), Dewey and Mead (e.g. Mead, 1935) assume that there is a shared reality, there is a logic that ties everything that happens in the world together. However, an individual is never able to reach the level of full understanding. Individual insights will stay limited and are entangled with all kinds of disturbances. With the help of others, which could also be accessed through books and other media, an individual can gain more insight.

is often seen as a sensemaking process: individuals ascribe meaning to facts and consider how the environment in which they work influences this process. Within these inquiries, purposes are defined and redefined (e.g. Bagdasarov et al., 2016; Gavetti, Levinthal, & Ocasio, 2007: Gavetti & Rivkin, 2007; Martin & Parmer, 2012; Weick, 2010, 2016). A different context within different stakeholders demands a different perspective on purposes and requires reformulating objectives to find some commonality and some way to deal with differences that emerge around the table.

Mental Models and Experiences

This integration process takes place within the individuals involved. An individual's mental model relates a complex and diverse environment to their perceptions of organizations, the environment, and their role (e.g. Gavetti et al., 2007; Werhane, 2008; Werhane et al., 2013). Experiences are organized based on previous interactions with their environment, which can lead to a "new" model of reality. These are processes of social construction during which a variety of insights coalesce. As such, they are mental representations through which all humans interact with experience (Werhane et al., 2013: 18; see also Diochon & Nizet, 2019). These processes are cognitive but entangled with emotional preferences and habits (Cohen, 2007a) that guide our thinking and enable or obstruct actions in a certain direction. This normative core of decision-making is related to mental models (e.g. Bagdasarov et al., 2016; Werhane, 2008; Werhane et al., 2013).

To shed more light on the various features of mental models in decision-making, we have to go back to a discussion that was already relevant in the 1970s, possibly even earlier. In cognitive science, Johnson-Laird (1983, see also 2004) struggled with the question of whether people have some internal structure or logic that is decisive for how they process information. He suggested that certain cognitive structures exist that are deciding factors in how people perceive, organize, and understand information on which they base their decisions.

Again, scholars tend to divide this debate into two camps, mainly for rhetorical reasons, but there is far greater nuance involved. To understand the role of information in decision-making processes, it can be fruitful to contrast Herbert Simon's ideas with those of Donald Schön (Go, 2012; Meng, 2009). While Simon (1996) assumed that scientific knowledge would increasingly dominate practical knowledge, Schön is much more sceptical about it. He criticizes Simon for being far too optimistic about the application of science in practice. It is important in Schön's critique (1983: 43–47) that Simon does not clarify how scientific knowledge and practical knowledge interrelate in complex situations, while Schön sees a crucial role for practitioners' skills—including their weaknesses. Practitioners are better able to make sense of a situation, given their experience and the development of their skills in practice.

Simon was inspired by cognitive science—the field of Johnson-Laird—and was one of the first to see a big future for information technology in decision-making. He argues that individuals are often unconsciously influenced in their decision-making by mental models that combine cognitive and socio-emotional insights at the

institutional, organizational, and individual levels (Koumakhov, 2009, 2014). Decision-makers are guided by 1) their expectations regarding how the environment develops, and make decisions given 2) their own ideas of their role, and 3) the organization employing them. These expectations are often implicit and normatively charged (e.g. Dewey 1939). Simon did not focus much on this latter point, whereas Schön as well as Werhane emphasize the imaginative power of mental models: Schön about the work of professionals, and Werhane about moral development.[2]

I follow Werhane in her understanding of mental models, in which moral imagination is critical in ethical development (see also Pappas 2008; Rorty, 2006a). She suggests that reflection on mental models is critical to this process. In the mind, features and images exist that are related to relationships between interpretation and action. We can share these ideas and related feelings, but only partly, and some individuals are better able to share these ideas than others. These ideas are not created solely by analytical reasoning, but are constructed from all kinds of images, feelings, and related habits.[3]

To understand the complexity of mental models in developing purpose, we will address two examples. Firstly, people who buy an Apple do so because they want a "thing" that has specific features. Some may argue that this is the only reason to buy an Apple, but others admit that other factors are also important: they like the design, want to buy the "best," belong to a certain group, and be attractive, and so on. This concept is so solidly embedded in modern society that an Apple does not even have to be defined as an electronic device for the reader to visualize what we are referring to here.

This example works because there is some shared understanding of an Apple device. If we define it further, we could discuss possible underlying mental models or—in the words of some philosophers—conceptual schemes (e.g. Coleman 2010; Davidson, 1973). There needs to be some shared understanding of reality, which implies shared values, or at least some degree of overlap in the interpretation of values within pragmatism.

---

[2] The underlying debate here is related to the history of pragmatism. Various scholars emphasize different approaches in pragmatism, related to their understanding of the world. The division between Herbert Simon and Donald Schön, who both refer to pragmatist authors, is illustrative. Simon, and cognitive scientists such as Johnson-Laird (e.g. 2004), tend to emphasize the analytical work of Pierce when they refer to pragmatism, whereas Schön—who did his PhD on Dewey—and Rorty (2006a, 2006b) and Werhane (2006) are more engaged with John Dewey. Dewey tended to focus more on interpretative processes (Pappas, 2008: 78). As stated, I follow Werhane (2008), although much can be questioned about her interpretation of mental models (see also next footnote). The suggested impreciseness of Werhane I also relate to pragmatism, arguing that precise definitions are critical only in specific situations. Behavioural scientists tend to disagree, although they also build on some pragmatist understanding (see Cohen, 2007a, 2007b; De Graaf 2019).

[3] Werhane's understanding regarding mental models can be illustrated by how she uses them when describing the history of philosophy as "a history of incomplete but nevertheless, coherent mindsets of mental models with which we deal with the world, with our experiences, our religious beliefs, and ourselves" (2006: 403, see also Rorty, 2006a). In the next sentence, she emphasizes that these should never be seen as exclusive and that some development is occurring. The mental models of people fifty years ago are different than today, even among living people who were alive fifty years ago. Although significant similarities exist, mental models will refer to more stable underlying values.

My other example is related to the role of law in our lives. If we have to explain the impact of a crime to a first-year student, we can give them a handbook of criminal law or the book *Crime and Punishment* by Dostoyevsky—a world classic. In my interpretation of mental models, a handbook of law is not enough to understand crime. Dostoyevsky is equally important, as he is describing the internal mechanism within the mind of someone committing a crime. Law is also based on and related to our internal mechanisms.

This correlation between internal mechanisms and external rules is not dissimilar to a pragmatist understanding of corporate purpose. If there is no shared understanding—for example, that an Apple device is not something you can eat—we will be disconnected from the world around us, and our values will not count. Moreover, the Apple example illustrates that imagination can be as important as analytical reasoning.

Integration as Developing Mental Models

To understand how the various individual ideas about purpose come together and interrelate within a mental model, we need specific features that reflect socio-psychological considerations that are decisive within people's actions and interactions. In mental models, artefacts have a role in the interaction process. Such "artefacts" (Simon, 1991) can be crucial in decision-making. Simon (1991: 5) defines artefacts as "models" and "tools." With these tools, experiences are synthesized through a process of dialogue, in which experiences are related to the environment in which participants aim to achieve social goals. This is directly related to his interpretation of heuristics. Around these artefacts, certain decision-making rules have been developed, which Simon (e.g. 1965, 1991) labelled "heuristics." The idea is that contextual and normative variables come together in 1) the interpretation of the role of decision-makers, 2) their mental models and the views they have about society, and 3) the organization in which they operate (Koumakhov, 2009, 2014).

To consider these various levels and bind them together, scholars recently developed a relatively broad definition of heuristics. Heuristics are seen as the *processes* in which individuals *use* concepts and other artefacts that assist in the quest we call decision-making: they help us to make decisions (e.g. Bingham & Eisenhardt, 2011; Gigerenzer, 1991; Loock & Hinnen, 2015). A cognitive understanding of reality and artefacts that mirror this understanding generally have a critical role in a heuristic. This definition of heuristics is broader than that applied by Simon (1965). In most of his publications—although he is not always very clear here—he refers to heuristic approaches and heuristic models, which he described as formalized processes, for example in operations research. The broader definitions developed by scholars like Gigerenzer (1991) and Bingham and Eisenhardt (2011) also depart somewhat from Kahneman (2003), who, along with his colleague Tversky, narrowed the concept to several psychological categories related to biases. They did not explore the possibility that various narratives and logics could be moulded simultaneously in social processes, leading to a single result.

I define heuristics in line with pragmatism, in which the rules of usage of cognitive models are crucial. These "mental models" present theoretical insights, appearing in a dynamic interplay between cognition, emotion, and habits (see Cohen, 2007b).

In action, cognition cannot be separated from emotions and habits. As such, bounded rationality is related to habits and associative processes (Cohen, 2007a). A heuristic functions as such only when it is related to emotions and routines and to organizational and institutional practices.

Artefacts and Heuristics

A heuristic of discovery is important to integrate a variety of ideas about purposes in decision-making. As has been argued above, this discovery occurs in all learning and innovation practices (Bingham & Eisenhardt, 2011; Nooteboom, 2000). The individuals involved have to work towards a new understanding of reality in which various perspectives come together. A variety of heuristics must be aligned or attuned.

Within these deliberations, artefacts have a role besides heuristics. Artefacts, or simplified cognitive models, enable the discussion of heuristics and relate them to a shared "reality." For example, managers use SWOT analysis (an artefact) to create an atmosphere in which the people involved try to delineate strengths, weaknesses, opportunities, and threats associated with a company, and thus create a shared understanding of reality (Puyt, Finn, De Graaf, & Wilderom 2020). The underlying heuristic of SWOT is that a shared understanding can grow in dialogue using this artefact, which enables a group to deal with developments in the future. To summarize the three concepts, given a person's own mental model, an individual uses a heuristic that can consist of one or more artefacts.

Accounting rules are an example of how heuristics work in relation to artefacts. We follow rules to report figures so that others can interpret them the same way we do. A balance sheet is an artefact used in financial decision-making. In a course on financial management, this artefact is related to various others to explain a variety of heuristics. As explained earlier, a balance sheet should be combined with a profit-and-loss account and a cash-flow statement. In other words, when we talk about knowledge, we are often referring to information that gains value using a heuristic model and assumptions related to habits and emotions (Cohen 2012). We need these heuristics because, as humans, we have a limited mental model and operate based on bounded rationality. As a result, we often have difficulty absorbing large amounts of information and processing it correctly, and may therefore become bogged down in a framework and continue to pursue a specific heuristic, even though the environment or circumstances have changed. This becomes even more complex when we realize that we can never know whether we have all the necessary information in decision-making processes. Pragmatism assumes that various sorts of information and related evidence come together in action. This action is driven by mental models that become clear in the heuristics and related artefacts.

PRAGMATISM AND THE PURPOSE OF THE FIRM: IMPLICATIONS

The Assessment of the Quality of Stakeholder Dialogue

The implications of a pragmatist approach in our understanding of corporate governance and business and society can best be illustrated by an example of the purpose

of a company or, in pragmatist terms, "means and ends." A former CEO of a Dutch bank once recounted that in the 1970s, he reported the annual results to his non-executive directors with the following reasoning: the responses of the stakeholders suggested that it had been a good year. The shareholders were not very satisfied with the dividend; the employees expected a higher salary, the savers more interest, the lenders a lower interest rate and the supervisory authorities a higher solvency. If only one of these groups had been very happy, he said, he would have done a poor job as a CEO. It would imply that other stakeholders would have had something to complain about.[4]

Pragmatism offers a normative approach to decision-making that explains how individuals such as the CEO engage with the purpose of the company, how their actions can change over time, and how they can integrate purposes at several levels by making concrete values in mental models by actions. The Dutch nonexecutives in the example above accepted their CEO's statement, which seems to indicate a stakeholder orientation. Pragmatism helps us explain what happened in the board-room when the CEO presented the corporate results. It does not focus on one corporate objective, as Friedman and his followers do, but makes purposes context-dependent. This has critical implications for theories about corporate governance and business and society.

First, pragmatism takes into account the historical context in which an objective or purpose develops over time. The stakeholder-driven statement by the Dutch CEO was possible at that time. Thirty years later, the same organization was focused on shareholders. A company's purpose has developed over time, is rooted in a culture, and will be adjusted gradually. Conditions are more or less stable.

Second, pragmatism stresses the need for diversity in decision-making processes in which a shared purpose has to be developed. The CEO revealed how he had to balance a variety of objectives that needed to be integrated into the decision-making process in the boardroom to keep interests aligned to a certain degree. At the same time, he would have had conversations with all of them in which various interests were discussed, related to an understanding of the firm's purpose.

Third, this process is value-driven. Stakeholders put their own interests first, but will accept a value attunement (Swanson, 1995) given the need for dialogue and cooperation to achieve certain goals and outcomes. Alongside the analyses of Gersel and Johnsen (2020), this is in line with Wood's (1991) perspective on corporate social performance. CSP depends on corporate principles (related to the organiza-tion's purposes), decision-making processes, policies, and outcomes.

Moreover, not every goal of an individual or an organization is important at the same time. A customer might accept different conduct from a company than a shareholder or owner. Fourth, the company's goals exist on various levels. In the role of shareholder, someone could be in favour of market reform, but the same person might have different opinions in the role of employee. This interrelatedness of goals is often not considered in decision-making theories, which tend to focus on

---

[4] This example comes from my PhD thesis (De Graaf, 2005). It has been used in De Graaf and Stoelhorst (2013).

one goal independent of context. A dominant logic makes other issues less important. This may be the mechanism that happens, for example, in scientists who assume one corporate objective function, which hinders their understanding of other perspectives on the firm.

While a particular dominant logic does have its limitations, a certain level of coherence in behaviour is essential. If a specific set of values is important, those values should be visible at all levels of a company, although complete coherence cannot exist, given the complexities of organizations and individuals. "Thick concepts" seem to help create a level of agreement, a shared understanding (Van der Linden & Freeman, 2017). Each person has their discretion and responsibility, always in the context of their relationships with others. Temporality is critical within the analyses of purposes. The Dutch CEO was not fired after his speech, but instead received a positive response. He was able to present the right purpose at the right moment in wording that might be less well received today.

Pragmatism offers assessment criteria for how individuals, companies, and society manage to integrate their purposes. Only when integration occurs and a certain level of understanding is achieved can we come close to reality. First, how diversity is addressed is critical in assessing the success of a solution from a pragmatic perspective (see Gersel and Johnsen 2020). Second, various perspectives can co-exist simultaneously but can, and indeed must, be integrated into proper forms of dialogue. In these processes, inquiry is critical. The quality of this process is dependent on how the ends envisioned by the stakeholders are being addressed. Critical, too, is that this is a process of abduction (Lorino, 2018; Martela, 2015). This term is not solely theoretical or methodological. It is an assumption about how individuals make proper decisions by reflecting on their assumptions, taking action, and questioning whether these assumptions are still valid. Which ends are we assuming, and what kind of means are necessary? As such, pragmatism does not offer a straightforward answer to the purpose of the firm. It offers a process perspective about how purposes—Donaldson (2012) uses the term identity here—can be bundled or integrated. When individuals work together and reach a high level of deliberation, they can come close to truth at critical moments. A shared moral background begins to coalesce, and we can come close to it at moments in time, although we will never fully reach it (Mead, 1935).

A Multilevel Assessment of the Purposes of the Company

A purpose, an objective of the firm, an integrated identity, a psychological contract, stewardship, a configuration: as we start to discuss the big issues of business—and life in general—a variety of words are used. On occasion, the wording becomes sketchy, underdefined, and vague, sometimes even metaphorical. In the introduction, I used the metaphor of a stone in the river or a shoe to pinpoint the role of mental models in decision-making processes. A positive interpretation could be that the language creates an area for interpretation (see Reinecke & Ansari, 2015). Van der Linden and Freeman (2017) mention a similar openness in words like social justice, equality, and freedom of speech. These "thick concepts" are impossible to assess

when they are not well defined and related to a context. Nevertheless, management and organizational science aims to measure these concepts. Here, mental models seem to allow assessment of critical organizational concepts and to do justice to the process of decision-making, while heuristics and related artefacts give meaning to language, with all its serious limitations, including a certain vagueness.

This integrative view of decision-making brings together various levels of understanding (see Table 2). The three distinctions Simon proposed regarding decision-making (Koumakhov, 2009, 2014) can be explained and brought together within a mental model related to 1) role awareness, 2) models of institutional context, and 3) social and organizational identification. These become interrelated in practices that are value-driven, thus consisting of numerous ethical considerations. A pragmatist perspective helps us understand how individuals combine these areas and various ethical perspectives (Harrison & Wicks, 2013) and develop forms of "thick evaluation" (Van der Linden & Freeman, 2017). This understanding of judgment brings together insights from various disciplines and scientific traditions. The individuals involved determine which mental model is dominant in a given situation.

As a result, the dominant mental models of others—the context—are very prominent, but individual decision-making is possible. Individuals can become aware of their mental models and develop them in specific directions. For example, they can find ways to communicate their mental model more effectively to others, using different artefacts that help develop other heuristics.

This insight is an important contribution of pragmatism as a normative theory of the corporate purpose. It positions purpose in the hearts and minds of people and connects it to the organizations and societies they live in. It offers an epistemological understanding of purpose. We know *where* to find the purpose of the firm and how it becomes visible in what people communicate and do.

Table 2 makes this more tangible. Understanding is always individual, but becomes an actual reality in interaction with others. For example, my understanding of my role as a professor is displayed in my behaviour in writing this article. This behaviour is effective when it is attuned to the institutional context. The reviewers of this article have to have a similar idea, a similar mental model about what an academic journal is. There is overlap, but the role interpretation is different. This interaction happens within the organizational context, the context of *Business Ethics Quarterly* and the underlying organization, has its purpose and must be at least partly consistent with the purpose of the reviewers and the author.

This is fully in line with sociological theory on human ambivalence (Segal & Lehrer, 2013). As humans, we are driven by a large variety of values. Business professionals and scholars are inspired by Friedman, Freeman, and many others. Individual financial benefits dominate in some contexts, whereas we try to unite a variety of stakeholder interests in other situations. I have further developed the idea of "thick concepts," as proposed by Van der Linden and Freeman. This makes it possible to connect Gartenberg's work on measuring purpose with his conceptual work in which purpose is related to justice and the theory of the firm.

Table 2: Bringing a Variety of Purposes Together within a Mental Model on Three Levels

Information on three levels	Information is structured into three areas	Definitions	Example of how purposes are displayed
Decision-maker / manager	A purpose is displayed in role interpretation	Given a particular position, an individual has ideas which display certain values about appropriate behaviour	For example, at universities, professors have an extraordinary role, displaying certain values (knowledge-driven, independent, student-oriented, curious), whereas in other organizations, management accountants are more prominent.
	Intermediary variable: Heuristic	*Decision-making "rule"*	*Shareholders or stakeholders are important*
Institutional context	A purpose is displayed in a **mental model** held by individuals	Insights or ideas of an individual related to shared expectations of the stakeholders involved within a situation	The institutional characteristics of the dialogue of individuals within the governance structure of the organization. In other words, stakeholder behaviour is in relationship to the governance system in which the organization functions.
	Intermediary variable: Artefact	*Idea, concept, illustration or figure/symbol*	*Friedman and/or Freeman*
Organization	A purpose is manifest in social and organizational identification	Ideas of an individual related to a position of a group to shared expectations of stakeholders	Governance structure and the preferred artefacts used in dialogue about the purposes of the organization.

Thinking in terms of mental models as a loosely defined decision-making "rule," as a "thick concept" (Van der Linden & Freeman, 2017), is necessary in this regard. Cognitive models can unite all actors' cognitive insights, emotions, and habits in decision-making. Pragmatist perspectives on organization suggest that the quality of this interaction results in *good* decisions—decisions in accordance with the mental models of all involved. Artefacts, such as an article of law, a discounted cash flow model, or a SWOT (strengths, weaknesses, opportunities, threats) matrix, also play a crucial role in mental models, as part of the process in which decision-makers act. This can be specified and studied at various levels, as illustrated in Table 3. A manager is guided by ideas about how to fulfil their role, for example, in dealing with a labour agreement. This agreement is the result of a negotiation between the manager and an employee within an institutional context, such as a specific country, and will be specified to the relevant organizational conditions. Organizations treat their employees differently. On all these levels, there must be some consistency in mental models which partly overlap between individuals to enable a common understanding. The variety of actions and a certain consistency between them display corporate purpose.

A mental model is related to an individual's understanding of their role: it influences how someone fulfils that role and is related to their impression of the organization and their ideas regarding the organization's role within society. To reach a decision, attention-directing mechanisms must be developed. As suggested above, these include models or artefacts such as discounted cash flow, a SWOT analysis, or a BCG matrix: artefacts that represent specific values inherently, not only in their execution. By utilizing a pragmatist epistemology, scholars can overcome dualistic viewpoints, such as the dichotomy between a unified corporate objective and a multi-constituency perspective of the firm.

Table 3: Examples of Mental Models in Decision-Making Processes

Information on three levels	Mental models about	Examples of actions in which purposes are displayed	Examples of an artefact related to a mental model
Decision-maker / manager	Roles	How a manager deals with a labour agreement	Labour agreement
Institutional context	Normative notions and other ideas about society at large	How stakeholders collectively interpret necessary behaviour towards employees in compliance with EU regulations (which leads to a labour agreement)	An article in EU law about labour agreements within companies
Organization	Social and organizational identification	A business model (or other model) through which a company tries to promote certain behaviour, e.g. toward employees (where a company may offer varying working conditions)	A mission statement stressing the importance of certain working conditions

CONCLUSION: PURPOSE AND MENTAL MODELS IN ORGANIZATION

Pragmatism offers epistemology that enables scholars to overcome the shareholder-stakeholder dichotomy. Various authors have suggested that a pragmatist perspective on the purpose of the company is a necessity (Gartenberger & Zenger, 2022; Kaplan, 2023; Ocasio et al., 2023). The normative approach presented here enables research on how companies achieve their goals. Corporate purpose develops in decision-making processes in which individual goals merge to some extent, at a given moment. Narratives play a key role in these interpretative processes.

In my development of a normative approach, I follow Bishop (2000). The pragmatist normative principle is that we need each other—all stakeholders included—to develop the best possible understanding of a given situation. We must help each other to make our values specific to a certain situation. This is based on the epistemological assumption (ground for accepting those values) that every individual is different, and so is every company, and we have to take these differences seriously under the assumption that when we engage in deliberative processes, the best possible solution can be found; we can in fact approximate reality, or at least a shared normative understanding of reality. People and their organizations have a certain history that must be considered, which demands serious deliberative processes (a decision-making principle). Here, every interest of every stakeholder should be taken into account. Positions based on power should not be decisive; they should be contextual conditions. Legal and regulatory structures should enable those deliberative processes (see also De Graaf & Herkströter, 2007). These serious moral obligations will be a challenge that we have to address in our everyday lives, creating a better future for all of us.

The strength of a pragmatist approach is that purpose is part of an interpretive process in which values on individual, organizational, and institutional levels merge to such an extent that individuals can act together based on a share understanding in a given situation, but also that it will evolve. Every situation will eventually affirm or slightly adjust an individual understanding of a corporate purpose and thus influence that purpose (at some later point in time), because individual understanding is part of a social process. This not only articulates the relationship between the individual and the social, but also between the current situation and the development towards a new situation. Within these deliberative processes—an emergent area in business and society research—definitions will be developed that help the individuals involved to connect with the understanding of themselves and the organizational and institutional context in which they function.

I suggest that the corporate purpose can articulate the hybrid forms of organization (Battilana & Lee, 2014) that are needed to integrate profit with social purposes. Corporate purpose is positioned in the hearts and minds of the individuals who constitute an organization, just as it is engrained in mental models that consist of values and become visible in artefacts and related heuristics. A pragmatic approach considers human ambivalence and suggests strategies for dealing with a variety of values articulated in fuzzy processes (Gersel & Johnsen, 2020). As such, the presented perspective explains how purpose is articulated in "thick concepts" such as

justice (Gartenberger & Zenger, 2022) and profit (Van der Linden & Freeman, 2017) and how these concepts can be integrated, although tension will always exist.

This article argues that a pragmatist perspective on objectives or purposes in management and organization is necessary to assess companies and their managers. We do not have to convince our students that Friedman's unified corporate objective function is more important, nor that Freeman's perspective on a company as a multi-constituency of goals is better. The importance of the two perspectives is that they both help us think about a company's challenges as displayed within a specific decision-making process. A specific purpose develops as the most prominent in a specific case. This does not mean that anything goes. The best possible interpretation of a corporate purpose is always entangled in current practices that have a history, display values, and are related to stakeholder interests. Of course, corporate purpose can be stable as a concept, and the underlying values also can have a certain stability. The interpretation may differ over time, but some companies will be much more stable than others. Some companies have redeveloped their identity radically over time; Nokia, for example started as a pulp mill in Finland, became the world's biggest manufacturer of mobile phones and is offering currently digital infrastructure. Others see their history as something stable and inherent to their product, such as an old Scottish whisky distillery.

Revisiting Dewey's work is a good starting point for understanding these processes. For example, Dewey (1939: 27) concluded that "means are by definition relational, mediated, and mediating." This implies that opinions and judgments are related to the various positions held by professionals and other stakeholders, and that scientific insights can be related to specific conventions and habits, as in personal normative views about reality, and that a change of perspective can also change the reality, which can be related to processes of performativity (e.g. Cabantous et al., 2016). For example, stakeholders hold particular views about their own activities (their role), about the role which a sector performs in society, and the unique character of the organization. These roles are part of a specific set of agreements that can change over time. Supplementing research on performativity, work on routines and habits (e.g. Hodgson, 2012) could also become beneficial in business and society research.

Besides the role of habit, performativity and values in corporate purpose development, a pragmatist perspective on corporate purpose leads to at least three potential fields of research. First, there is much debate about the role of language in pragmatism (e.g. Rorty, 2006a, 2006b; Van der Linden & Freeman, 2017). "Thick concepts" offer another kind of definition, and what is a thick concept in comparison to a "regular" concept? For example, how is the thick concept of "justice" related to the concept of the mental model?

This can be related to a second area of future research: practical application of the concepts touched upon in this article. For example, is it possible to achieve alignment between the insights offered by psychology and the presented perspective of mental models in which the purpose of the company is rooted? This includes such questions as whether Werhane's use of mental models is appropriate and in line with insights from psychology. Further reviewing the literature on mental models could

be useful in achieving a better understanding of this. The work of Johnson-Laird (e.g. 2004) can be a starting point here, in addition to Pappas's (2008) understanding of Dewey, and Rescher's (2017) interpretation of Pierce.

A third research area could focus on the role of norms in the interaction between managers and stakeholders of the organization during deliberative processes. Inherently, normative judgments determine which mental models are used and how—and, therefore, what is relevant. Mental models become cognitive because they are used within action and interaction: they interact with existing and developing emotions and habits (Cohen, 2007a, 2007b). As producers and collectors of evidence collaborate more effectively, cognition, emotions, and habits increasingly integrate—or so pragmatism assumes. But is this better, more convincing, more closely related to truth? When the quality of collaboration increases, will the quality of decisions also improve? This is the assumption behind pragmatism and various current management theories of relevance, such as engaged scholarship (Van de Ven, 2007) and evidence-based management (e.g. Rousseau, 2006; Rynes, Rousseau, & Barends, 2014). A challenging and intriguing field of research could develop here. The role of meta-skills (Rousseau, 2006) in developing mental models can help bridge the gap between theory and practice and re-evaluate concepts, including value, stakeholders, and facts. For example, can we discover when mental models converge and need to be combined, and what happens when mental models contradict each other? This could also inspire further research on deliberative processes (e.g. Gersel & Johnsen, 2020; Palazzo & Scherer, 2006).

Acknowledgements

REFERENCES

Abend, G. 2014. *The moral background: An inquiry into the history of business ethics.* Princeton, NJ: Princeton University Press.

Adler, P. S., & Heckscher, C. 2018. Collaboration as an organization design for shared purpose. In Petra Hiller, Leopold Ringel, & Charlene Zietsm (Eds.), *Toward permeable boundaries of organizations.* Bingley, UK: Emerald.

Bagdasarov, Z., Johnson, J. F. MacDougall, A. E., Steele, L.M., Connelly, S., & Mumford, M. D. 2016. Mental models and ethical decision making: The mediating role of sensemaking. *Journal of Business Ethics*, 138(1): 133–44.

Battilana, J., & Lee, M. 2014. Advancing research on hybrid organizing: Insights from the study of social enterprises. *Academy of Management Annals*, 8(1): 397–441.

Bebchuk, L. A., & Tallarita, R. 2020. The illusory promise of stakeholder governance. *Cornell Law Review*, 106: 91–177.

Bingham, C. B., & Eisenhardt, K. M. 2011. Rational heuristics: The "simple rules" that strategists learn from process experience. *Strategic Management Journal*, 32(13): 1437–64.

Bishop, J. D. 2000. A framework for discussing normative theories of business ethics. *Business Ethics Quarterly*, 10(3): 563–91.

Bourdieu, P. 1977. *Outline of a theory of practice*. Cambridge: Cambridge University Press.

Bowie, N. E. 2012. Book review of *Stakeholder theory: The State of the Art*, R. Edward Freeman, Jeffrey S. Harrison, Andrew C. Wicks, Bidhan L. Parmar, and Simone de Colle (New York: Cambridge University Press, 2010). *Business Ethics Quarterly*, 22(1): 179–85.

Buchholz, R. A., & Rosenthal, S. B. 1996. Toward a new understanding of moral pluralism. *Business Ethics Quarterly*, 6(3): 263–75.

Cabantous, L., Gond, J. P., & Johnson-Cramer, M. 2010. Decision theory as practice: Crafting rationality in organizations. *Organization Studies*, 31(11): 1531–66.

Cabantous, L., Gond, J. P., Harding, N., & Learmonth, M. (2016). Critical essay: Reconsidering critical performativity. *Human Relations*, 69(2), 197–213.

Christofi, M., Hadjielias, E., Hughes, M., & Plakoyiannaki, E. 2021. Advancing research methodologies in management scholarship. *British Journal of Management*, 32(3): E1–E5.

Clegg, S., Kornberger, M., & Rhodes, C. 2007. Business ethics as practice. *British Journal of Management*, 18(2): 107–22.

Clegg, S., Cunha, M. P. E., Rego, A., & Santos, F. 2021. "Open purpose": Embracing organizations as expressive systems. *Organization Theory*, 2(4): 26317877211054860.

Cohen, M. D. 2007a. Reading Dewey: Reflections on the study of routine. *Organization Studies*, 28(5): 773–86.

Cohen, M. D. 2007b. Perspective-administrative behavior: Laying the foundations for Cyert and March. *Organization Science*, 18(3): 503–506.

Cohen, M. D. 2012. Perceiving and remembering routine action: Fundamental micro-level origins. *Journal of Management Studies*, 49(8): 1383–88.

Coleman, M. 2010. On the very good idea of a conceptual scheme. *The Pluralist*, 5(2): 69–86.

Davidson, D. 1973. On the very idea of a conceptual scheme. *Proceedings and Addresses of the American Philosophical Association*, 47: 5–20.

De Graaf, F. J. 2005. De bestuursstructuur en de maatschappelijke verantwoordelijkheid van ondernemingen. PhD thesis, Eburon Delft, Netherlands.

De Graaf, F. J. 2019. Ethics and behavioural theory: How do professionals assess their mental models? *Journal of Business Ethics*, 157(4): 933–47.

De Graaf, F. J., & Herkströter, C. A. (2007). How corporate social performance is institutionalised within the governance structure: The Dutch corporate governance model. *Journal of Business Ethics*, 74: 177–89.

De Graaf, F. J., & Stoelhorst, J. W. 2013. The role of governance in corporate social responsibility: Lessons from Dutch finance. *Business & Society*, 52(2): 282–317.

Dewey, J. 1938. *Logic: The theory of inquiry*. New York: Henry Holt and Company.

Dewey, J. 1939. Theory of valuation. *International Encyclopedia of Unified Science*, 2(4): 1–16.

Diochon, P. F, & Nizet, J. 2019. Ethics as a fabric: An emotional reflexive sensemaking process. *Business Ethics Quarterly*, 29(4): 461–89.

Donaldson, T. 2012. The epistemic fault line in corporate governance. *Academy of Management Review*, 37(2): 256–71.

Freeman, R. E., Phillips, R., & Sisodia, R. 2020. Tensions in stakeholder theory. *Business & Society*, 59(2): 213–31.

Friedman, M. 1962. *Capitalism and freedom*. Chicago: University of Chicago Press.

Friedman, M. 1970. The social responsibility of business is to increase its profits. *The New York Times Magazine*. September 13. https://www.nytimes.com/1970/09/13/archives/a-friedman-doctrine-the-social-responsibility-of-business-is-to.html.

Furnari, S., Crilly, D., Misangyi, V. F., Greckhamer, T., Fiss, P. C., & Aguilera, R. V. 2021. Capturing causal complexity: Heuristics for configurational theorizing. *Academy of Management Review*, 46(4): 778–99.

Gartenberg, C. 2023. The contingent relationship between purpose and profits. *Strategy Science*, 8(2): 256–69.

Gartenberg, C., & Serafeim, G. 2022. Corporate purpose in public and private firms. *Management Science*, 69(9): 5087–5111.

Gartenberg, C., & Zenger, T. 2022. The firm as a subsociety: Purpose, justice, and the theory of the firm. *Organization Science*, 34(5): 1965–80.

Gavetti, G., Levinthal, D., & Ocasio, W. 2007. Perspective-Neo-Carnegie: The Carnegie school's past, present, and reconstructing for the future. *Organization Science* 18(3): 523–36.

Gavetti, G., & Rivkin, J.W. 2007. On the origin of strategy: Action and cognition over time. *Organization Science*, 18(3): 420–39.

George, G., Haas, M. R., McGahan, A. M., Schillebeeckx, S. J., & Tracey, P. 2023. Purpose in the for-profit firm: A review and framework for management research. *Journal of Management*, 49(6): 1841–69.

Gersel, J., & Johnsen, R. 2020. Toward a novel theory of rational managerial deliberation: Stakeholders, ethical values, and corporate governance. *Academy of Management Learning & Education*, 19(3): 269–88.

Gigerenzer, G. 1991. How to make cognitive illusions disappear: Beyond "heuristics and biases". *European Review of Social Psychology*, 2(1): 83–115.

Go, J. C. 2012. Teaching as goal-less and reflective design: A conversation with Herbert A. Simon and Donald Schön. *Teachers and Teaching*, 18(5): 513–24.

Harrison, J. S., & Wicks, A. C. 2013. Stakeholder theory, value, and firm performance. *Business Ethics Quarterly*, 23(1): 97–124.

Harrison, J. S., Phillips, R. A., & Freeman, R. E. 2020. On the 2019 business roundtable "statement on the purpose of a corporation". *Journal of Management*, 46(7): 1223–37.

Henderson, R., & Van der Steen, E. 2015. Why do firms have "purpose"? The firm's role as a carrier of identity and reputation. *American Economic Review*, 105(5): 326–30.

Hodgson, G. M. 2012. The mirage of microfoundations. *Journal of Management Studies*, 49(8): 1389–94.

Jensen, M. C. 2002. Value maximization, stakeholder theory, and the corporate objective function. *Business Ethics Quarterly*, 12(2): 235–56.

Johnson-Laird, P. N. 1983. *Mental models: Towards a cognitive science of language, inference, and consciousness*. Boston, MA: Harvard University Press.

Johnson-Laird, P. N. 2004. The history of mental models. In K. Manktelow & M. Cheung Chung, *Psychology of reasoning: Theoretical and historical perspectives*: 179–212. Hove, UK: Psychology Press.

Kahneman, D. 2003. Maps of bounded rationality: Psychology for behavioral economics. *American Economic Review*, 93(5): 1449–75.

Kaplan, S. 2023. The promises and perils of corporate purpose. *Strategy Science*, 8(2): 288–301.

Kim, T. W., & Donaldson, T. 2018. Rethinking right: Moral epistemology in management research. *Journal of Business Ethics*, 148: 5–20.

Koss Hartmann, R. 2014. Subversive functionalism: For a less canonical critique in critical management studies. *Human Relations*, 67(5): 611–32.

Koumakhov, R. 2009. Conventions in Herbert Simon's theory of bounded rationality. *Journal of Economic Psychology*, 30(3): 293–306.

Koumakhov, R. 2014. Conventionalism, coordination, and mental models: from Poincaré to Simon. *Journal of Economic Methodology*, 21(3): 251–72.

Liu, L. A., Friedman, R., Barry, B., Gelfand, M. J., & Zhang, Z. X. 2012. The dynamics of consensus building in intracultural and intercultural negotiations. *Administrative Science Quarterly*, 57(2): 269–304.

Loock, M., & Hinnen, G. 2015. Heuristics in organizations: A review and a research agenda. *Journal of Business Research*, 68(9): 2027–36.

Lorino, P. 2018. *Pragmatism and organization studies*. Oxford: Oxford University Press.

Martela, F. 2015. Fallible inquiry with ethical ends-in-view: A pragmatist philosophy of science for organizational research. *Organization Studies*, 36(4): 537–63.

Martin, K., & Parmar, B. 2012. Assumptions in decision making scholarship: Implications for business ethics research. *Journal of Business Ethics*, 105(3): 289–306.

Mayer, C. 2021. The future of the corporation and the economics of purpose. *Journal of Management Studies*, 58(3): 887–901.

Mead, G. H. 1935. The philosophy of John Dewey. *The International Journal of Ethics*, 46(1): 64–81.

Meng, J. C. S. 2009. Donald Schön, Herbert Simon and the sciences of the artificial. *Design Studies*, 30(1): 60–68.

Nooteboom, B. 2000. *Learning and innovation in organizations and economies*. Oxford: Oxford University Press.

Ocasio, W., Kraatz, M., & Chandler, D. 2023. Making sense of corporate purpose. *Strategy Science*, 8(2): 123–38.

Palazzo, G., & Scherer, A. G. 2006. Corporate legitimacy as deliberation: A communicative framework. *Journal of Business Ethics*, 66: 71–88.

Pappas, G. F. 1997. Dewey's moral theory: Experience as method. *Transactions of the Charles S. Peirce Society*, 33(3): 520–56.

Pappas, G. F. 2008. *John Dewey's ethics: Democracy as experience*. Bloomington, IN: Indiana University Press.

Puyt, R. W, Finn, B. L., De Graaf, F. J., & Wilderom, C. P. M., 2020. Origins of SWOT analysis, *Academy of Management Conference Proceedings*, 2020 (1). DOI: 10.5465/AMBPP.2020.132

Reinecke, J., & Ansari, S. 2015. What is a fair price? Ethics as sensemaking. *Organization Science*, 26(3): 867–88.

Rescher, N. 2017. *Pragmatism: The restoration of its scientific roots*. New York: Routledge.

Rhodes, C. 2021. *Woke capitalism: How corporate morality is sabotaging democracy*. Bristol: Bristol University Press.

Rorty, R. 2006a. Is philosophy relevant to applied ethics? Invited address to the Society of Business Ethics annual meeting, August 2005. *Business Ethics Quarterly*, 16(3): 369–80.

Rorty, R. 2006b. Replies to Koehn, De George, and Werhane. *Business Ethics Quarterly*, 16(3): 409–13.

Rousseau, D. M. 2006. Is there such a thing as "evidence-based management"? *Academy of Management Review*, 31(2): 256–69.

Rynes, S. L., Rousseau, D. M., & Barends, E. 2014. From the guest editors: Change the world: Teach evidence-based practice! *Academy of Management Learning & Education*, 13(3): 305–21.

Schatzki, T. R. 1996. *Social practices: A Wittgensteinian approach to human activity and the social*. Cambridge: Cambridge University Press.

Schön, D. 1983. *The reflective practitioner: How professionals think in action*. London: Maurice Temple Smith.

Segal, L., & Lehrer, M. 2013. The conflict of ethos and ethics: A sociological theory of business people's ethical values. *Journal of Business Ethics*, 114: 513–28.

Simon, H. A. 1965. Administrative decision making. *Public Administration Review*, 25(1): 31–37.

Simon, H. A. 1991. Bounded rationality and organizational learning. *Organization Science* 2 (1): 125–134.

Simon, H. A. 1996. *The sciences of the artificial* (3rd ed.). Boston, MA: MIT Press.

Stoelhorst, J. W., & Vishwanathan, P. 2024. Beyond primacy: A stakeholder theory of corporate governance. *Academy of Management Review*, 49(1): 107–34.

Stuhr, J. J. 2023. *No professor's lectures can save us: William James's pragmatism, radical empiricism, and pluralism*. New York: Oxford University Press.

Swanson, D. L. 1995. Addressing a theoretical problem by reorienting the corporate social performance model. *Academy of Management Review*, 20(1): 43–64.

Van de Ven, A. H. 2007. *Engaged scholarship: A guide for organizational and social research*. Oxford: Oxford University Press.

Van der Linden, B., & Freeman, R.E. 2017. Profit and other values: Thick evaluation in decision making. *Business Ethics Quarterly*, 27(3): 353–79.

Watson, T. J. 2001. Beyond managism: Negotiated narratives and critical management education in practice. *British Journal of Management*, 12(4): 385–96.

Weick, K. E. 2010. Comment on "softly constrained imagination." *Culture and Organization*, 16(2): 179.

Weick, K. E. 2016. 60th anniversary essay constrained comprehending: The experience of organizational inquiry. *Administrative Science Quarterly*, 61(3): 333–46.

Werhane, P. H. 2006. A place for philosophers in applied ethics and the role of moral reasoning in moral imagination: A response to Richard Rorty. *Business Ethics Quarterly*, 16(3): 401–408.

Werhane, P. H. 2008. Mental models, moral imagination and system thinking in the age of globalization. *Journal of Business Ethics*, 78(3): 463–74.

Werhane, P. H., Hartman, L. P., Archer, C., Englehardt, E. E., & Pritchard, M. S. 2013. *Obstacles to Ethical Decision-making: Mental models, Milgram and the problem of obedience*. Cambridge: Cambridge University Press.

Wicks, A. C., & Freeman, R.E. 1998. Organization studies and the new pragmatism: Positivism, anti-positivism, and the search for ethics. *Organization Science*, 9(2): 123–40.

Williamson, O. E. 2002. The theory of the firm as governance structure: From choice to contract. *Journal of Economic Perspectives*, 16(3): 171–95.

Wood, D. J. 1991. Corporate social performance revisited. *Academy of Management Review*, 16(4): 691–718.

. . .

FRANK JAN DE GRAAF (f.j.de.graaf@hva.nl) is professor of corporate governance and leadership, focusing on finance, at the Amsterdam University of Applied Sciences (AUAS). He is also part of the management team of the finance and accounting department of the AUAS and lecturing in the joint master's program with Northumbria University. His research focuses on governance and leadership in relationship to corporate purpose, with special interest in financial institutions and societal organizations, including governments and cultural organizations. He is co-founder of the Network for Sustainable Financial Markets (NSFM) and has been active as an advisor responsible for investment at various financial institutions.