

Common purpose advantage: Reviving a managerial theory of the firm?

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Abstract

Research Summary: What is the most effective way to distribute organizational objectives across managers? While prior work suggests managers should each focus on a single objective, we draw on Barnard's original insights on corporate purpose to identify conditions when managers pursuing the full set of objectives is advantageous. Using a computational model, we find that moderate strategic diversity amongst managers enables practice sharing to generate sufficiently valuable distant search to offset the additional complexity incurred during local search, creating a "common purpose advantage." The advantage is stronger with fewer objectives, moderate objective correlation, less diversification, and moderate turbulence. Under other conditions, it dissipates or reverses. This work unifies scattered findings on multi-objective firms, contributes to diversification research, and revives interest in the Managerial Theory of the Firm.

Managerial Summary: How should a firm distribute its objectives across its managers? Should each manager focus on a single objective, or should all collectively pursue the full set? Our research identifies the conditions for a "common purpose advantage," where all managers pursuing the full set of objectives is superior. Using a computational model, we demonstrate

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this advantage arises when moderate strategic diversity amongst managers enables the sharing of valuable practices, which generates performance gains that offset the complexity of handling multiple goals. This advantage is strongest with fewer objectives, moderate environmental turbulence, and in less diversified firms. Under other conditions—such as high turbulence, many objectives, or high diversification—this advantage dissipates or reverses, making each manager focusing on a single objective more effective.

KEYWORDS

common purpose advantage, corporate purpose, managerial theory of the firm, multiple objectives, roles and tasks of managers

A formal system of cooperation requires an objective, a purpose, an aim. Such an objective is itself a product of cooperation and expresses a cooperative discrimination of factors upon which action is to be taken by the cooperative system. It is important to note the complete distinction between the aim of a cooperative effort and that of an individual.

Chester Barnard, *The Functions of the Executive*, 1938, pp. 42–43

1 | INTRODUCTION

To function effectively, firms must simultaneously pursue multiple objectives, ranging from client satisfaction to innovation and operational efficiency. Since the inception of organization theory and strategy, scholars have studied how firms can best reconcile performance improvement efforts across these distinct objectives (Barnard, 1938; Cyert & March, 1963; Fayol, 1917). In response, extant literature suggests firms perform best when decision-making agents focus on just a single organizational objective (Gaba & Greve, 2019; Greve, 2008; Jensen, 2001; March, 1981; Obloj & Sengul, 2020). This “objective myopia” improves an agent’s individual search efforts in the face of cognitive and organizational limitations, yielding superior performance outcomes across objectives (Cyert & March, 1963; Ethiraj & Levinthal, 2009; Simon, 1964). When the field was nascent, however, Barnard (1938) offered a singular perspective on the source of the firm’s objectives, succinctly exposed in the introductory quotation. Barnard sees firms as systems of cooperation that necessarily possess a superordinate purpose, distinct from individual objectives. For him, the presence of multiple objectives stems from the necessary “fragmentation of purpose into detailed purposes” within the firm (Barnard 1938, p. 206), rather than from task specialization, complexity, or individuals’ heterogeneous preferences (Cyert & March, 1963; March & Simon, 1958). The idea that multiple organizational objectives can originate from the fragmentation of a unified purpose has material implications for how we conceptualize organizational processes and the sharing of practices between agents

(an insight central in the evanescent Managerial Theory of the Firm, Bartlett & Ghoshal). These implications, echoed in the recent works in strategy on corporate purpose (Gartenberg, 2023; Ocasio et al., 2023), call for a fresh reexamination of the conditions under which it could be advantageous for agents in multi-objective firms to work toward the full set of organizational objectives rather than focusing on a single organizational objective.

We undertake this reexamination and position our inquiry between two perspectives. The first perspective, initiated by Barnard (1938, 1940) and momentarily rekindled under the Managerial Theory of the Firm [MTF], proposes that firm performance is better when agents work toward the full set of objectives (Bartlett & Ghoshal, 1994; Gartenberg et al., 2019). The second perspective characterizes a simplified view of the classical Behavioral Theory of the Firm [BTF] (Cyert & March, 1963; Gavetti et al., 2012; Simon, 1964), which, with a focus on complexity, suggests that a firm performs better when agents concentrate on just one of the objectives, as this approach simplifies the search environment and improves the efficacy of local search (Cyert & March, 1963; Ethiraj & Levinthal, 2009). While Barnard's work inspired Simon and the subsequent BTF, a separating line exists between the two streams regarding how multiple objectives originate in relation to a superordinate purpose.

For MTF, multiple objectives emerge from and sustain collective action directed toward a common, superordinate purpose (Barnard, 1938). For BTF, which departs from the notion of a superordinate purpose (Cyert & March, 1963; March & Sutton, 1997), multiple objectives arise from task specialization, complexity, and the quasi-resolution of conflict between individuals with heterogeneous preferences (Cyert & March, 1963; Gavetti et al., 2012; Simon, 1955; Simon, 1962). This divergence between MTF and BTF yields two possible, but distinct, representations for how agents in multi-objective firms experience their search efforts: cooperative (due to a common purpose as in the MTF) or isolated (whether due to task specialization or heterogeneous preferences as in our—inevitably—stylized representation of the BTF).¹ As such, whereas MTF attributes a firm's performance to the efficacy of cooperative information sharing toward a common purpose, BTF attributes it to individual agents' ability to handle the complexity of multiple objectives. This distinction informs the perspective as to whether the firm benefits from agents pursuing a single objective or the full set. Taken together, these two perspectives suggest that conditions around the informational space within which agents' search efforts take place determine the most effective way for a firm to distribute its organizational objectives across its agents.

Hence, we could expect that modeling the firm in ways that enable us to vary the informational space within which agents' search efforts take place will lead us to (a) replicate previous intuition when managing complexity in local search is the focal challenge of objective multiplicity (i.e., in the absence of practice sharing between agents, Ethiraj & Levinthal, 2009; Chen et al., 2019) and (b) reveal some possibilities of superior performance when agents pursue the full set of organizational objectives and access distant search via sharing practices (Gavetti & Levinthal, 2000; Knudsen & Levinthal, 2007; Rosenkopf & Almeida, 2003). Insofar as the performance benefit of distant search will be greater when agents pursue the full set of objectives (Levinthal, 1997; Puranam et al., 2015), we reason that under some conditions a “*common*

¹This is not to say that cooperation is necessarily precluded in BTF (see, for example, Fang, Lee, & Schilling, 2010). Rather, we are highlighting the analytical distinction between objective plurality arising from individual-level factors (e.g., task specialization, heterogeneous preferences, complexity) which focuses attention on mitigation strategies at the individual level, and objectives arising from collective-level factors (e.g., corporate purpose) which focuses attention on mitigation strategies at the collective level.

purpose advantage” can be observed. Such an advantage captures how well the firm performs across the full set of objectives that together constitute its superordinate purpose. Thus, comparing similar multi-objective firms, a common purpose advantage is the outperformance observed in a firm where agents direct their improvement efforts toward the full set of objectives relative to focusing on a single objective—while collectively pursuing all objectives.

Determining whether a common purpose advantage arises and under which conditions is difficult to ascertain using verbal theory alone; therefore, following the well-established Carnegie tradition, we develop a computational model to investigate our intuition (Cohen & Cyert, 1965; Lave & March, 1975). Within our model, a firm's units search locally for performance improvements (Cyert & March, 1963; Ethiraj & Levinthal, 2009) while its managers engage in sharing better practices with other managers in the firm (Tsai, 2002). By varying the conditions of this better practice sharing, we (a) replicate previous modeling results (Chen et al., 2019; Ethiraj & Levinthal, 2009) and (b) reveal cases in which managers and units pursuing the full set of objectives are preferable to objective myopia. Specifically, a common purpose advantage arises when there is at least moderate diversity in the initial strategies of managers' units, as this diversity enables better practice sharing between managers to engender sufficiently valuable distant search to offset the performance costs of their units' weakened local search (Gavetti & Levinthal, 2000; Rosenkopf & Almeida, 2003). We further observe that the common purpose advantage varies with the number of managers (positive association), the number of objectives (negative association), correlation between objectives (inverse-U shaped relationship), business diversification (negative association in modular firms), environmental turbulence (inverse-U shaped relationship), and the function of the manager (positive for practice-sharing managers).

Our research makes three key contributions. First, we replicate extant findings (Chen et al., 2019; Ethiraj & Levinthal, 2009) and provide evidence of situations in which Barnard's original insights are corroborated. Our notion of a common purpose advantage provides conceptual clarity to the recent stream of research on corporate purpose (Gartenberg et al., 2019; Ocasio et al., 2023), helps delineate the conditions under which practice sharing between managers can assuage the performance cost of multiple objectives (Obloj & Sengul, 2020), and integrates individual and vicarious search across hierarchical levels (Fang et al., 2010; Koçak et al., 2023) with work on multi-objective firms (Audia & Greve, 2021; Ethiraj & Levinthal, 2009; Gaba & Greve, 2019). Second, we connect research on multi-objective firms with the work on geographic and business diversification, presenting the idea that a common purpose between managers can help geographically diversified firms overcome localness in their search (Rosenkopf & Almeida, 2003; Stuart & Podolny, 1996), and aid the performance of multi-business firms even in the face of environmental turbulence (Aggarwal & Wu, 2015; Chen et al., 2019; Rawley, 2010). Moreover, our work introduces a stylized organizational model, the E-form (an ideal type shifting entrepreneurship to front-line units), which, next to the existing U-, M-, and H-forms, could revitalize research on the connections between organizational structure, information flows, and firm performance. Third, our paper serves to revive interest in the MTF (Barnard, 1938) and move it forward with new theoretical machinery (computational modeling, boundary conditions on prior theorizing). Insofar as our capacity to speak to emerging management practice is conditioned by the realism of the assumptions we make about organizational functioning, the MTF as a conceptual framework with workable properties for theory and practice—notably the notion of effectiveness—may be worth further reexamination.

2 | MULTI-OBJECTIVE FIRMS: CORPORATE PURPOSE, DISTANT SEARCH, AND THE POSSIBILITY OF A COMMON PURPOSE ADVANTAGE

There are both theoretical and practical merits to examining the relationship between the pursuit of multiple organizational objectives and firm performance. Economists, organizational theorists, and legal scholars have long acknowledged that agents and firms pursue multiple objectives (Berle & Means, 1932; Fayol, 1917; Pareto, 1906), and recent years have seen growing demands on firms to demonstrate their achievements across multiple financial and non-financial dimensions (e.g., 2019 Business Roundtable; 2024 SEC rules on Climate-Related Disclosures).

2.1 | MTF and BTF: Similarities and divergent perspectives on corporate purpose

We motivated our study by connecting two perspectives on the origins and nature of multiple organizational objectives within the MTF and the broader BTF tradition. Before detailing the theoretical distinctions between the MTF and the BTF, we first take care to emphasize their commonalities. First, both theories see organizations as the ultimate object of study, conceptualizing firms as multi-actor, objective-oriented, information-processing systems. Second, anchored in a realist epistemology, they both present a behaviorally plausible account of firm functioning, incorporating theories of individual cognitive limitations (e.g., bounded rationality, satisficing, search) and limits to executive power (e.g., orders may not be carried out by subordinates).² Third, both theories place decision-making at the core of understanding organizational actions and outcomes. They emphasize that outcomes emerge from distributed decision-making processes, where interactions between organizational levels are structured by hierarchical authority and administrative procedures, and communication between agents is fundamental. In this view, conditions that shape decisions (e.g., information, attention, autonomy, interpretation, negotiation, collaboration, etc.) are significant determinants of outcomes. Fourth, both theories emphasize how internal control mechanisms, particularly standard operating procedures, provide stability while allowing for environmental adaptation.

Despite these commonalities, the MTF and BTF diverge on the presence of a corporate purpose (Gavetti et al., 2007). Cyert and March (1963), in their desire to avoid reifying the organization, departed from earlier theories of a single, unified, superordinate purpose: “the problem is to specify organizational goals without postulating an organizational mind” (p. 26). Over the years, the broader BTF has continued this theoretical lineage, suggesting that “it is not clear that organizational purpose can be portrayed as unitary or that [...] a single conception of purposes is shared amongst participants in an organization” (March & Sutton, 1997, p. 698). In this tradition, multiple organizational objectives emerge from organizational design responses to complex tasks as well as from heterogeneous preferences of organizational members (Cyert & March, 1963; Ethiraj & Levinthal, 2009; Gaba & Greve, 2019; March, 1962; March & Simon, 1958; Simon, 1955). Importantly, the objectives represent distinct performance

²For instance: “even though the assumptions of a model may not literally be exact and complete representations of reality, if they are realistic enough for the purposes of our analysis, we may be able to draw conclusions which can be shown to apply to the world” (Cohen & Cyert, 1965, p. 306). See also Csaszar (2020).

dimensions: “The procedures for ‘resolving’ such conflict do not reduce all goals to a common dimension or even make them internally consistent” (Cyert & March, 1963, p. 117).

By contrast, corporate purpose is a focal construct in Barnard’s (1938) theorization of the firm as a cooperative system that “requires the adoption of a group, or non-personal, purpose” (p. 60) (for more details about Barnard’s conceptualization of the firm and the role of executives, see Appendix A.1 and A.2). Barnard (1938) suggests that to achieve the firm’s purpose, executives must disaggregate that “purpose into parts or detailed purposes or ends, the accomplishment of which in proper order will permit the attainment of the final objective” (p. 136), giving rise to multiple organizational objectives (an insight prolonged and developed in Bartlett & Ghoshal).³ Following this insight, for the MTF, a firm’s corporate purpose exists in two distinct aspects. First, as the *superordinate objective of the organization* that substantiates cooperative action. Second, as the *pragmatic set of organizational objectives* that guide agents’ decision-making, that is, the instantiation of the superordinate purpose in achievable objectives. A firm’s corporate purpose is, then, a single entity that exists in two consubstantial materializations: the *superordinate* and the *pragmatic*.

2.2 | Managing the complexity of multiple objectives in local search and the role of management

The performance implications of pursuing multiple organizational objectives are a major topic within the literature studying organizations as information-processing systems comprised of boundedly rational agents (Audia & Greve, 2021; Ethiraj & Levinthal, 2009; March & Simon, 1958; Puranam, 2018). Indeed, the impediment of multiple objectives on strategic decision-making arises only because boundedly rational agents cannot integrate multiple objectives into a single scalar performance value (Simon, 1955, 1957; Thaler, 1999), unlike rational choice agents who can (Arrow, 1951; Jensen, 2001). Consequently, when a single action has performance effects across multiple objectives simultaneously, agents struggle to isolate actions that benefit the entire range of objectives (Jensen, 2001; Simon, 1955, 1957; Sundaram & Inkpen, 2004; Thaler, 1999). Accordingly, pursuing multiple, non-perfectly correlated objectives impedes an agent’s capacity to find ways to modify their actions to improve performance across the objectives, which weakens the search for such improvements (Ethiraj & Levinthal, 2009; Greve, 2008; Joseph & Gaba, 2015).

The intuition for this is developed visually in Appendix B, which depicts two rugged performance landscapes, first shown separately and then overlaid to illustrate how the number of

³Bartlett and Ghoshal (p. 39) describe how organizations translate broad corporate purpose statements into actionable objectives, using electrical engineering firm ABB as an example. ABB’s superordinate purpose, “to contribute to environmentally sound sustainable growth and make improved living standards a reality for all nations around the world”, was made relevant for decision-making via its instantiation as a set of objectives such as “to increase the value of our products based on continuous technological innovation”, which were expressed in precise performance terms like “10 percent operating profit and 25 percent return on capital employed”. Similarly, as a contemporary example, water utilities company Veolia, translates its purpose, “ecological transformation”, into a set of pragmatic objectives defining “a vision of multifaceted performance which places the same level of attention and requirements on economic and financial, commercial, social, societal and environmental performance” (Veolia, 2024). Veolia state clearly that: “Decisions taken at the head office and by the Business Units [...] are assessed based on the five dimensions of multifaceted performance” (Veolia, 2024). Even more specifically, Veolia introduced the ‘wheel of performance’, i.e. 15 objectives which “reflect the actual operational implementation of the purpose” (Veolia, 2024). These include, for example, free cash flow, return on capital, greenhouse gas emissions, workplace safety, and water conservation.

local peaks increases when an agent must search across both landscapes simultaneously. This visualization demonstrates that the complexity of the performance environment is a function of both the inherent ruggedness of individual landscapes and the number of landscapes (i.e., objectives) the agent considers concurrently. The key takeaway is that a myopic focus on one landscape (i.e., objective) simplifies the performance environment by reducing perceived ruggedness and the number of local peaks, which in turn makes local search more effective (Chen et al., 2019; Ethiraj & Levinthal, 2009). The performance environment thus becomes more complex when the agent pursues more objectives concurrently. Once the number of objectives exceeds a certain threshold, performance improvements become virtually impossible (Ethiraj & Levinthal, 2009; Obloj & Sengul, 2020) since their random initial position typically constitutes a local peak. Consequently, the agent freezes in their search efforts (Ethiraj & Levinthal, 2009; Jensen, 2001).

Irrespective of whether the objectives arise from the fragmentation of a superordinate purpose, complexity, task specialization, or conflict resolution, the focal challenge for boundedly rational agents is that more objectives make the performance environment more complex. For the BTF, then, the key to mitigating the challenge of multiple objectives is to reduce this complexity. Hence, the BTF suggests agents in multi-objective firms are better off focusing on just a single objective (Cyert & March, 1963; Ethiraj & Levinthal, 2009) and can implement this “myopia” in several ways. First, through temporal disaggregation, where agents pursue one objective over a given period before alternating with others (Bartlett, 1989; Cyert & March, 1963; Ethiraj & Levinthal, 2009). Second, in terms of both task specialization and heterogeneous preferences, spatial disaggregation facilitates each unit or division focusing solely on the objective specific to its business line (Chandler, 1962; Cyert & March, 1963; Ethiraj & Levinthal, 2009), so that agents within each business line do not “see the conflicting objectives simultaneously” (Cyert & March, 1963, p. 34). Linking complexity to task specialization in the context of multiple objectives (Rumelt, 1974; Fang et al., 2010), interdependent strategic choices can, in addition to objectives, be disaggregated and allocated to business lines to make the firm nearly decomposable (Lawrence & Lorsch, 1967a). This organizational structuring aids stability and coordination (Rivkin & Siggelkow, 2003) and enhances agents’ local search capabilities in the face of multiple organizational objectives (Ethiraj & Levinthal, 2009).

In sum, the prevailing perspective in the BTF tradition is that, in a multi-objective firm, “the role of management is to provide a necessarily incomplete view of the full set of organizational goals” (Ethiraj & Levinthal, 2009, p. 6), since “incomplete guides to action in the sense of providing only a subset of the underlying set of goals prove more effective at directing and coordinating behavior than more complete representations” (p. 19).

2.3 | Common objectives, practice sharing, and distant search

Barnard’s (1938) unique proposition that multiple objectives stem from the instantiation of a common, superordinate purpose offers a distinct way to think about the informational space in which an agent’s search takes place in a multi-objective firm. Specifically, the MTF theorizes that cooperative information sharing serves as a means for agents to achieve their common purpose: “All communication relates to the formation of purpose and the transmission of coordinating prescriptions for action and so rests upon the ability to communicate with those willing to cooperate” (Barnard, 1938, p. 184). The function of information sharing is, then, to advance the agents’ common purpose. In this respect, a common purpose amongst agents acts to

“facilitate the linkages that intensive knowledge transfers require”.⁴ Crucially, this emphasis on cooperative information sharing as a means to advance the purpose of the firm alters the informational space in which agents search efforts occur. In particular, this perspective suggests that a common, superordinate purpose motivates agents to intentionally share better practices with one another to aid their pursuit of that purpose (Barnard, 1938). The managerial incentive to share true information with their peers is to advance their common purpose.

It is well established that local search yields poorer outcomes in more complex performance environments because performance improvements are rarely near current practices (Levinthal, 1997; Puranam et al., 2015). As such, much attention has been paid to understanding how firms and agents can move beyond local search (Katila & Ahuja, 2002; Rosenkopf & Almeida, 2003; Rosenkopf & Nerkar, 2001). Extant research suggests that firms and agents can overcome local search limitations by gaining information from external sources—for example, through alliances (Rosenkopf & Almeida, 2003; Stuart & Podolny, 1996) or through the mobility of agents through the firm (Rosenkopf & Almeida, 2003). By analogy, we conceive that agents intentionally sharing better practices with one another inside the firm (Hansen, 2002; Szulanski, 1996; Tsai, 2002) would similarly overcome local search limitations (see Appendix C for limitations of single agents in multi-objective firms to overcome local search). Such better practice sharing corresponds to a form of distant search where agents sample strategies potentially dissimilar to their own. Over time, however, the diversity of this sampled set of strategies reduces as agents collectively converge on better practices. Since the benefit of distant search is greater in more complex performance environments (Levinthal, 1997), we reason that better practice sharing will benefit agents pursuing the full set of objectives more than those engaging in objective myopia. Consequently, a common purpose advantage may manifest when better practice sharing between agents engenders effective distant search, allowing the firm as a collective, rather than as individuals in isolation, to manage the complexity stemming from multiple objectives. Such an advantage would be moderated by conditions that enhance or diminish the efficacy of this practice sharing in offsetting the cost incurred from each agent's weakened local search.

In sum, although the BTF and MTF share common origins in Barnard's (1938) foundational insights and have multiple touchpoints, they differ fundamentally in their conceptualization of how multiple objectives arise and operate within organizations owing to their divergent perspectives on the presence of a superordinate purpose. This important nuance influences how each theory conceives of the solution to the challenge of multiple objectives. Whereas the BTF posits that multiple objectives emerge from complexity, task specialization, or internal conflict, it directs mitigation strategies toward aiding single, isolated managers in handling the complexity of multiple objectives in local search, suggesting firms perform better when managers focus

⁴This is not to say that information sharing is necessarily precluded in a firm where multiple objectives arise from task specialization, complexity, or conflict. Indeed, the BTF does consider benign knowledge transfer or imitation (e.g., Fang, Lee, & Schilling, 2010), and the hierarchical transmission of decision-making assumptions (Simon, 1947, 1981). Yet, it is important to note the analytical distinction between information sharing that emerges as a functional response to complexity (as often characterized in later BTF-inspired work) and information sharing that is motivated by a common, superordinate purpose (as emphasized by Barnard). While both frameworks can accommodate information sharing behaviors, they differ in their theorized origins and motivational foundations. The MTF's emphasis on cooperation provides a complementary perspective to BTF's focus on bounded rationality and complexity, rather than a contradiction of its legacy. This distinction enriches our understanding by highlighting how a common purpose can serve as an intentional driver of information exchange, beyond the structural or functional mechanisms typically emphasized in the BTF tradition.

on a single objective (Cyert & March, 1963; Ethiraj & Levinthal, 2009). On the other hand, the MTF views multiple objectives as stemming from the operationalization of a common, corporate purpose. It therefore suggests that better practice sharing on the objectives that instantiate this purpose can facilitate distant search and aid the firm in overcoming the impediment of objective multiplicity.⁵ These nuanced differences motivate our central research question: Under what conditions is it advantageous for agents in multi-objective firms to work toward the full set of organizational objectives rather than focusing on a single organizational objective?

3 | A MODELING APPROACH

Determining whether a common purpose advantage will arise under properties of better practice sharing between agents within the firm is hard to ascertain using verbal theory alone. The Carnegie tradition has long drawn upon computational models to explore the logical consequences of a specific set of behavioral assumptions (Cyert & March, 1963; Cohen & Cyert, 1965; Lave & March, 1975; Newell & Simon, 1956; see Posen et al., 2024 for a review), which enables mechanism identification and counterfactual exploration (Knudsen et al., 2019; Levinthal & Workiewicz, 2018; Posen et al., 2024). Within this tradition, the performance of multi-objective firms can be studied from the perspective of adaptation across multiple performance landscapes (Chen et al., 2019; Ethiraj & Levinthal, 2009), where an agent's strategy comprises multiple interdependent strategic choices (Rivkin, 2000; Simon, 1962) and performance objectives serve as a guide to action (Ethiraj & Levinthal, 2009; Obloj & Sengul, 2020). Pursuing this tradition, we present the intuition of our model next before subsequently providing a more detailed presentation of the model.

3.1 | Intuition of the model

To provide intuition for our model, consider the illustrative example of a national retail chain (call it "NationMart"). NationMart is guided by a superordinate purpose: "to offer customers and communities quality services, products, and food that are accessible to everyone." This purpose is translated into a set of two pragmatic objectives: client satisfaction and operational efficiency.

NationMart, depicted in Figure 1, consists of many units (stores) across various regions, each overseen by a manager. Each unit is part of the same business line, that is, they are all standard NationMart supermarket stores. A unit's strategy is a combination of several individual strategic choices, such as store layout, local advertising, and product pricing. This combination of strategic choices determines the unit's performance on both client satisfaction and operational efficiency. We assume that because all units are part of the same business line, they face the same functional task environment; therefore, units have the same choice set, and a specific set of strategic choices yields the same performance outcome regardless of the region in

⁵Accordingly, MTF suggests that performance is superior when managers work towards the full set of objectives – with recent empirical findings (Gartenberg et al., 2019) and case studies supporting this intuition (Bartlett & Ghoshal, ; Ghoshal & Bartlett, 1994; e.g., the turnaround of Best Buy from 2012 to 2020, which saw 330% growth in share price was driven in large part by the adoption of corporate purpose and effective implementation in the middle ranks of the organization—see Joly, 2021).

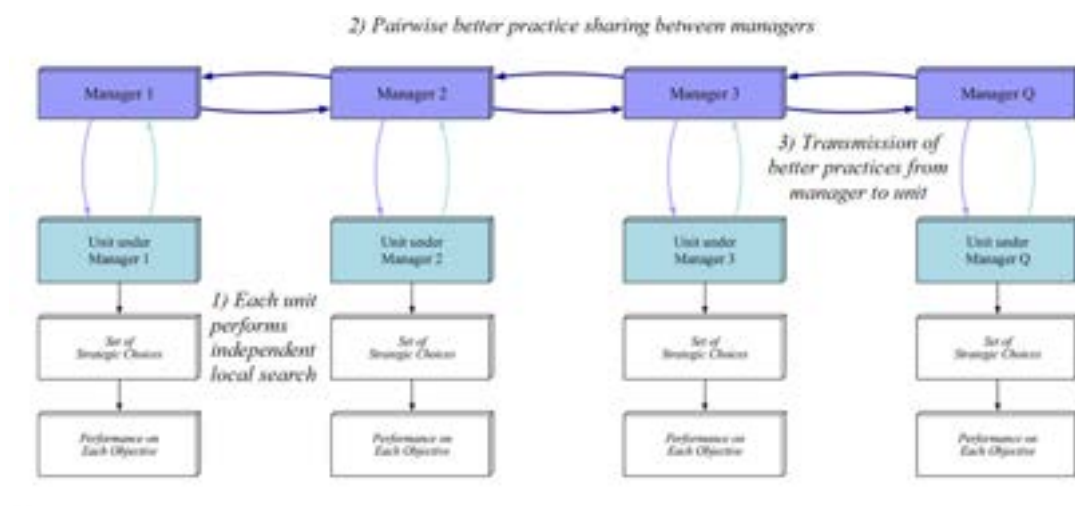


FIGURE 1 Visual illustration of the firm in the model. In each period, each unit engages in local search. Subsequent to that, in the same period, managers engage in a single pairwise comparison of the strategic choices and performance of their units with another randomly chosen manager. Finally, based on this comparison, managers transmit any identified better practices to their units; such “better practice sharing” is a form of distant search.

which it is implemented.⁶ Each manager—and by extension, their unit—is assigned a specific subset of the objectives. This set of assigned objectives acts as the sole criterion for evaluating any potential action. The assigned objectives determine what “better” performance looks like from the perspective of that manager and unit. With this in mind, two distinct activities occur each period.

First, each unit engages in local search. Each unit independently considers a potential change to a single strategic choice—for example, a different advertising approach. If the change is expected to improve or maintain performance on all of the unit’s assigned objectives, with a strict improvement on at least one, it is adopted. If not, the change is rejected. Different units may consider different changes in each period. Second, subsequent to this in each period, managers facilitate better practice sharing. To illustrate this key interaction in our model, which occurs between pairs of managers, let us focus on a representative pair from two different locations: Region A and Region B. Suppose the manager in Region A is paired with their peer from Region B. Manager A evaluates the performance of Manager B’s unit, but only through the lens of their own assigned objectives. If Manager B’s unit demonstrates superior performance across that specific set of objectives, Manager A directs their own unit to adopt the entire set of strategic choices from the Region B unit. This process allows for the diffusion of successful practices. See Appendix D for a worked example of the firm and the two search processes.

Our central question is about the most effective way to assign those two pragmatic objectives, client satisfaction and operational efficiency, across the managers. We compare two scenarios. First, “objective myopia,” where each manager is assigned only one of the firm’s objectives. For instance, the manager in Region A focuses only on client satisfaction, while the manager in Region B focuses only on operational efficiency. Second, “common purpose,” where

⁶Different units, however, representing different business lines within the firm, face different task environments.

every manager is assigned the full set of objectives, pursuing both client satisfaction and operational efficiency. The “common purpose advantage” is the difference in firm-wide performance between the “common purpose” scenario and the “objective myopia” scenario. If managers pursuing the full set of objectives is preferable, the advantage exists. If objective myopia is preferable, there is a common purpose disadvantage.

3.2 | Computational model

Here we formalize the intuition from the model description into an NK-model. Following previous modeling efforts (Puranam, 2018; Siggelkow & Levinthal, 2003; Siggelkow & Rivkin, 2006), we consider the firm as a non-unitary actor where strategic decision-making is distributed across various units. We adapt the NK-model (Kauffman, 1993; Levinthal, 1997), specifically the multi-landscape version, to position our work within the existing research on multi-objective organizations (Chen et al., 2019; Ethiraj & Levinthal, 2009). This offers several theoretical and computational benefits (Csaszar, 2018, 2020) and several of the implications of the multi-landscape NK-model have received empirical support (Obloj & Sengul, 2020; Rawley, 2010), giving confidence to the external validity of the model and the realism of the assumptions underpinning it (Cohen & Cyert, 1965; Lave & March, 1975).

A unit, u , is represented as a row vector of N strategic choices: $u = \{a_1, \dots, a_N\}$, where each strategic choice is binary, that is, $a_i = 0$ or 1. A manager, m , is represented as a matrix of U units: $m = \{u_1, \dots, u_U\} = [\{a_1, \dots, a_N\}_1, \dots, \{a_1, \dots, a_N\}_U]$. Every manager oversees precisely U units. For a given unit u_w , each of its N strategic choices depends on K other strategic choices, with dependencies not necessarily bidirectional. Strategic choices are potentially interdependent both intra-unit (e.g., for u_1 under m_q these are the strategic choices within u_1 under m_q) and inter-unit (e.g., for u_1 under m_q these are the strategic choices within $u_2 \dots u_U$ under m_q). At this stage we do not consider interdependencies between managers.⁷ We specify a parameter *modularity* $\in [0,1]$ that determines, for each strategic choice, the fraction of its K dependencies that fall intra-unit versus inter-unit. A firm, F , consists of Q managers: $F = \{m_1, \dots, m_Q\}$. A firm has P distinct objectives, $P = \{p_1, \dots, p_P\}$. Unless stated otherwise, the objectives are uncorrelated. As per Ethiraj and Levinthal (2009), the precise correlations will be approximately 0 but are unlikely to be exactly 0. Each manager m_q pursues a subset of the firm's objectives: $P_q = \{p_g, \dots, p_h\} \subseteq \{p_1, \dots, p_P\} = P$, and their units pursue the same objective set.

The key extension of the multi-landscape NK-model (Chen et al., 2019; Ethiraj & Levinthal, 2009) relative to the single landscape version (Levinthal, 1997) is that a single strategic choice (i.e., positional attribute) has performance effects across multiple landscapes. Intuitively, then, the way the different objectives are conceptualized in our model is by how each of the strategic choices changes performance on different performance landscapes. For each unit u_w , ω_{wio} denotes the contribution of strategic choice a_i to performance on objective p_o . Every strategic choice influences performance on every objective: $\forall a_i \in u_w$ and $p_o \in P, \exists \omega_{wio}$. Insofar as

⁷We assume no interdependencies between managers. If such interdependencies existed, one could imagine another managerial layer would emerge to coordinate these dependencies (Barnard, 1938; Chandler, 1962; Simon, 1962), essentially recreating the hierarchical structure we study in our current model but with three layers. We leave examination of multi-level managerial hierarchies for future work.

each manager oversees a functionally identical task environment, for every unit u_w corresponding to the business line w in the firm, and every strategic choice a_i contributing to objective p_o , the performance contribution remains the same across all managers. Formally: $\forall w \in \{1, \dots, U\}, \forall i \in \{1, \dots, N\}, \forall o \in \{1, \dots, P\} : \omega_{wio}^{m_1} = \omega_{wio}^{m_2} = \dots = \omega_{wio}^{m_Q}$. Yet for two different units u_w and u_z under the same manager, the respective performance contribution differs since these different units represent different business lines, w and z respectively.

Each unit, u_w , has a single set of strategic choices that has an associated performance on each of the P performance landscapes. The unit u_w 's performance on objective p_o in period t is the simple average of the performance contributions ω_{wiot} over the N strategic choices of the unit:

$$\Omega_{wot} = \frac{1}{N} \sum_{i=1}^N \omega_{wiot} \quad (1)$$

Regardless of which subset of objectives is assigned to the unit, every unit records a performance on each objective. We are interested in system-level performance, so firm performance on objective p_o is the simple average of all units' performances on that objective:

$$\Pi_{ot} = \frac{1}{QU} \sum_{q=1}^Q \sum_{w=1}^U \Omega_{qwot} \quad (2)$$

Considerations of synergies between units are beyond the scope of this paper.

Consistent with the Carnegie tradition, managers and units are modeled as boundedly rational. A unit's averaged performance is unobservable to both managers and units. Instead, units can observe their performance on each objective, $\{\Omega_{w1}, \dots, \Omega_{wP}\}$. Neither managers nor units can compare performance changes across different objectives ($\Delta\Omega_g$ versus $\Delta\Omega_h$), meaning they cannot make commensurate tradeoffs across objectives. Managers can take the average of their units' performance across the same objective, that is, they can take the mean of $\{\Omega_{w1}, \dots, \Omega_{z1}\}$. In sum, performance improvement efforts involve discrete evaluations of strategic choices across objectives, adhering to the satisficing criterion (Simon, 1955).

Units seek to improve performance through local search (Cyert & March, 1963; Levinthal, 1997). Units engage in offline search (Gavetti & Levinthal, 2000; Posen & Levinthal, 2012), evaluating performance effects based on mental models (Csaszar & Levinthal, 2016), analytical approaches, or experimental methods (Winter et al., 2007). Both units and managers evaluate only one alternative per period. In each period t , each unit u_w randomly flips a strategic choice a_{iwt} within its strategic choice set $\{a_1, \dots, a_N\}_{wt}$ such that if $a_{iwt} = 1$ then $a'_{iwt} = 0$, and vice versa. Let $\{a'\}_{wt}$ be the strategic choice set of the unit with the flipped strategic choice in time t . Performance on objective p_o using $\{a'\}_{wt}$ is given by Ω'_{wot} . A unit adopts the change if performance on each pursued objective improves or remains the same, with at least one objective improving:

$$\{a\}_{w(t+1)} = \begin{cases} \{a'\}_{wt} & \text{if } (\forall p_o \in P_q, \Omega'_{wot} - \Omega_{wot} \geq 0) \text{ and } (\exists p_o \in P_q, \Omega'_{wot} - \Omega_{wot} > 0) \\ \{a\}_{wt} & \text{otherwise} \end{cases} \quad (3)$$

TABLE 1 Components of the model.

Parameter	Description	Baseline value
N	The number of binary strategic choices each unit is comprised of ($N = 24$ in all simulations)	24
K	Number of other strategic choices each action depends on ($K = 5$ in all simulations)	5
<i>Modularity</i>	Fraction of a strategic choice's K dependencies that fall within itself (“intra-unit”) versus other units under the same manager (“inter-unit”)	1
P	The number of distinct objectives the firm pursues	4
Q	The number of managers in the firm	60
U	Number of units each manager oversees—each corresponding to a unique business lines in the firm	1
δ (<i>delta</i>)	Parameter determining the initial diversity of managers' units' strategies (Hamming distance)	12
γ (<i>gamma</i>)	Pairwise correlation between any two organizational objectives	0
r	Correlation strength between pre- and post-shock landscapes (0 = no shock, 1 = complete redraw)	0

In each period t , all managers are randomly shuffled and paired up, so that each manager compares their units' performance to exactly one peer.⁸ Every manager engages in a pairwise comparison each period. For a randomly selected pair of managers (m_q, m_z), each manager evaluates their units' performance across their respective pursued objectives P_q and P_z compared to those of the peer manager. The managers do not necessarily need to pursue the same objectives. Each manager takes their units' average performance on each objective p_o , calculated as

$$\bar{\Omega}_{qot} = \frac{1}{U} \sum_{w=1}^U \Omega_{qwot} \text{ and } \bar{\Omega}_{zot} = \frac{1}{U} \sum_{w=1}^U \Omega_{zwot},$$

where Ω_{qwot} and Ω_{zwot} represent the performance of unit u_w under managers m_q and m_z , respectively. Manager m_z considers manager m_q to outperform them if for each and every objective p_o in P_z , the average performance of m_q 's units is at least equal and there exists at least one objective in P_z where m_q 's units perform strictly better. Formally, from the perspective of manager m_z , their peer manager m_q outperforms them if:

$$(\forall p_o \in P_z, \bar{\Omega}_{qot} \geq \bar{\Omega}_{zot}) \text{ and } (\exists p_o \in P_z, \bar{\Omega}_{qot} > \bar{\Omega}_{zot}) \tag{4}$$

If these two conditions are satisfied, then manager m_z transfers the better practices of the units under manager m_q to their units: $\{a\}_{zv(t+1)} = \{a\}_{qw}, \forall u_w \in m_q, m_z$. Managers transfer the full $U \times N$ matrix of strategic choices between corresponding units. Across the U units they manage, managers care for the global performance across their units and coordination across their interdependent units. The converse evaluation is made by the manager m_q , seeking to determine if the units under manager m_z outperform. If neither manager outperforms the other, no better practice sharing occurs. A summary of all model parameters is shown in Table 1.

⁸In unreported analyses we observe that the results demonstrated in the paper are robust to managers comparing with several peers in a period.

3.3 | Common purpose advantage

We introduce a parameter ρ , an integer that takes the values 1 (objective myopia) and P (common purpose) that determines the number of objectives pursued by each manager. Formally, for each manager in the firm, $m_q \in F$, the set of objectives pursued by that manager and their units, $P_q = \{p_g, \dots, p_h\}$, is of size ρ , $|P_q| = \rho$. The specific objectives pursued by each manager are allocated such that the $\binom{P}{\rho}$ possible combinations of objectives are equally divided between the Q managers, where every manager pursues exactly ρ objectives and each objective p_o is pursued by exactly $\frac{\rho Q}{P}$ managers. As per the model description, the common purpose advantage on objective p_o in period t is operationalized as:

$$\Delta_{ot} = \frac{\Pi_{ot}^{(\rho=P)} - \Pi_{ot}^{(\rho=1)}}{\Pi_{ot}^{(\rho=1)}} \quad (5)$$

The average across the P objectives in period t is:

$$\bar{\Delta}_t = \frac{1}{P} \sum_{o=1}^P \Delta_{ot} \quad (6)$$

The *Common Purpose Advantage* (%) is given by:

$$\left(\frac{1}{T} \sum_{t=1}^T \bar{\Delta}_t \right) \cdot 100 \quad (7)$$

that is, the common purpose advantage across all objectives averaged over all search periods and multiplied by 100 to give the value as a more readily interpretable percentage.⁹

4 | DISTANT SEARCH AND THE COMMON PURPOSE ADVANTAGE

4.1 | Initial manager strategic diversity (δ) and the common purpose advantage

A common purpose advantage likely arises from the managers' capacity to augment and aid their units' search efforts via distant search. When managers share better practices with one

⁹When comparing performance, we calculate the average of the ratios rather than the ratio of the averages. This ensures that the relative performance advantages in each objective and time period are weighted equally, regardless of their absolute scale. First, at the objective level (Equation 6), it ensures that each objective is equally weighted regardless of scale. Second, averaging ratios over time (Equation 7) ensures that each period is equally weighted regardless of baseline performance magnitude. For example, consider a scenario where baseline performance in early periods is smaller than in later periods. If $\rho = 1$ yields a short-term advantage, averaging ratios over time prevents later periods, with larger absolute performance values, from artificially inflating the common purpose advantage. Conceptually, each period represents a distinct stage of adaptation. We measure the performance benefit of $\rho = P$ relative to $\rho = 1$ at each stage, then average these period-specific advantages to capture the typical effect across the entire search period.

another, they enable distant search. The effectiveness of this distant search depends on the diversity of strategies of the managers' units. Greater diversity enables better practice sharing to generate broader distant search. This effect occurs because there is a larger sample from which each manager can draw the "long jumps," and these long jumps are themselves more distant. Hence, one could reason that the initial strategic diversity among managers' units significantly determines how effectively better practice sharing can facilitate distant search.

To parametrize and vary the initial strategic diversity across managers' units, we introduce a parameter δ . In simple terms, δ represents how varied the starting strategies are between units of the same business line that are overseen by different managers. This can be understood as the degree to which functionally identical units start with different strategic approaches despite facing the same task environment. Technically speaking, the initial strategy of each unit within a given business line is drawn randomly from strategies within a Hamming distance of δ from a random reference strategy (see Appendix E for a visual depiction). Since each unit makes N strategic choices, δ can take values in the range 0 to N .

A real-world analog for δ would be a multi-unit retail firm where stores in different regions serving the same function adopt different strategies. When $\delta = 0$, all units implement identical strategies (e.g., all stores have the same layout, product mix, and pricing). As δ increases, units exhibit increasingly divergent strategies despite serving the same basic function.¹⁰ In this example, the parameter δ , therefore, captures the real-world strategic heterogeneity that geographically dispersed areas of a firm exhibit. More broadly, this maps to the empirical observation that multinational firms exhibit strategic diversity across geographically distinct subsidiaries (Bartlett & Ghoshal, 1986, 1993; Frost, 2001).

4.2 | First intuition of a common purpose advantage

Emulating Ethiraj and Levinthal (2009), each unit is represented with 24 strategic choices and five dependencies per strategic choice (i.e., $N = 24$, $K = 5$). At this stage we focus on just a single-business firm (i.e., $U = 1$). The firm pursues four objectives ($P = 4$). We study how the initial diversity of the strategies of managers' units (δ) affects the common purpose advantage across four values of the number of managers in the firm (Q): 8, 20, 40, and 60. To establish a baseline, we also include the case where $Q = 60$ but with no better practice sharing between managers. We vary δ in the range 0 to N . We randomly draw the reference strategy from amongst the 2^N possible configurations. Each iteration runs for the duration of 250 search periods (Ethiraj & Levinthal, 2009). For all simulations in this paper we run the simulation until the absolute differences in the means and variances of the common purpose advantage (Equation 7) in successive iterations fall below a threshold value ϵ , set at 0.0001.¹¹

¹⁰Carrefour hypermarkets show this kind of strategic diversity, where some stores have added specialized food stations like sushi counters and Neapolitan pizza makers, while others maintain more traditional hypermarket formats (Carrefour at crossroads in battle to win back French shoppers. *Financial Times*. <https://www.ft.com/content/3078c47e-8a30-4c33-a4bc-1f2b390b5226>).

¹¹The challenge of making quantified statements about the certainty of simulation results is well-established (Whitt, 1991). Scholars have suggested that averaging over n simulations without justification may result in imprecise estimations of model behavior, especially when seeking to understand how parameter configurations affect outcomes (Law & Carson, 1979; Seri & Secchi, 2017). We use a bootstrap convergence method to ensure our simulation results are statistically stable and representative. Specifically, we run the simulation until the absolute differences in means and variances of successive iterations fall below a threshold value ϵ of $1e-4$. Given that in Equation (7) we are multiplying our value by 100, the ϵ value of $1e-4$ is akin to a value of $1e-6$ for the regular NK-model values. In the results of Figure 2 there are 28,803 iterations, on average.

The line corresponding to $Q = 60$ —No Better Practice Sharing in Figure 2 suggests that if units in multi-objective firms engage in isolated search efforts, irrespective of the value of δ , then the prescription of the benefit of objective myopia is verified (Cyert & March, 1963; Ethiraj & Levinthal, 2009; March, 1981; Simon, 1964): or said otherwise, there is a common purpose disadvantage of approximately -2.6% . In Appendix F, we show the average firm performance of $Q = 60$ —No Better Practice Sharing replicates exactly the result of Ethiraj and Levinthal (2009).

When there is practice sharing, Figure 2 shows that, holding Q constant, increasing δ leads to an increase in the common purpose advantage up to a point, after which the gains plateau. When $\delta = 0$, where every unit has the same initial strategy, the capacity for practice sharing to generate distant search is essentially nullified. In this case, there is a common purpose disadvantage of between -2.8% and -3.3% , depending upon the number of managers. When $\delta = 1$, where units differ by at most one strategic choice from the reference strategy, there is a common purpose disadvantage of between -0.3% and -1% , again depending upon the number of managers. These δ values ensure that managers are initially tightly clustered on the performance landscape, so there is insufficient opportunity for practice sharing to facilitate distant search to generate a common purpose advantage.

As δ increases, the capacity for distant search via better practice sharing increases, and the common purpose advantage begins to materialize. For firms with 40 or 60 managers, a value of $\delta = 2$ results in a common purpose advantage of between 0.2% and 0.5% . In the case that $Q = 20$, the common purpose advantage does not materialize until $\delta \geq 4$. More generally, higher δ values lead to a positive common purpose advantage for all three values of Q , but the size of Q materially affects the outcome. Indeed, in the case in which $Q = 8$, the common purpose advantage never manifests—always staying below 0. This occurs because when a firm has

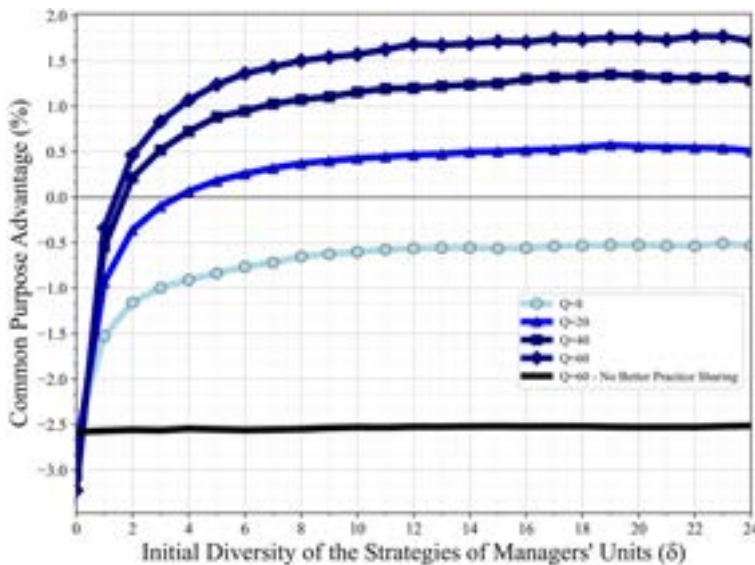


FIGURE 2 Common purpose advantage and distant search. This figure illustrates how the initial diversity of the strategies of managers' units (δ) interacts with the number of managers (Q) to affect the Common Purpose Advantage (see Equation 7). Each curve corresponds to a different number of managers— $Q = 8, 20, 40$, or 60 —or the case of “No Better Practice Sharing.”

few managers (a small Q), even high initial strategic variation between their units (a large δ) fails to create sufficient overall strategic diversity. Without adequate diversity across the firm, better practice sharing cannot generate the valuable “long jumps” required to produce a common purpose advantage. Greater values of Q , where there are more managers in the firm, lead to even greater diversity amongst peer strategies, enabling even greater distant search. For $Q = 60$, the common purpose advantage plateaus at around 1.7% for $\delta \geq 12$, whereas when $Q = 20$, it plateaus at around 0.5% for $\delta \geq 12$. The advantage begins to plateau around $\delta = 12$ because at this stage it is possible for two managers to have entirely different 12 strategic choices differences from the reference strategy, and so the coverage of the entire landscape ($N = 24$) is quite high. Beyond this point, an increase in δ yields diminishing returns in terms of increasing the diversity of the managers' units' initial strategies.¹²

4.3 | Key findings and mechanism

Figure 2 shows that better practice sharing between managers is a necessary but insufficient condition for a common purpose advantage to arise. The parameter δ moderates this advantage by determining the initial heterogeneity in units' strategies, which either enables or impedes the capacity for managers' practice sharing to engender distant search. When practice sharing facilitates distant search, a common purpose advantage arises; if not, the perspective articulating the merits of objective myopia is verified. The expected value of distant search increases with greater strategy diversity among managers' units (higher δ), more managers (higher Q), and when pursuing the full set of objectives. For a common purpose advantage to emerge, cooperative practice sharing must generate sufficiently rewarding distant search to offset the weakened local unit search.¹³

5 | BOUNDARY CONDITIONS FOR THE COMMON PURPOSE ADVANTAGE

In this section, we explore several conditions that delineate the boundary of the common purpose advantage: first, the number of objectives and the correlations between them (Section 5.1); second, the number of business lines the firm operates across conditions of modularity and environmental turbulence (Section 5.2); and third, the search function of the agents, examining heterogeneous objectives across units and managers (Section 5.3).

5.1 | Number of objectives and their correlation

Prior research shows that firm performance declines with an increase in the number of objectives (Ethiraj & Levinthal, 2009; Obloj & Sengul, 2020). Motivated by this, we examine how the

¹²This is not a mechanistic result from some managers starting in superior performance positions. In unreported analyses we observe that the common purpose advantage persists even when every manager's initial performance is strictly less than 0.5.

¹³Confirming the role of distant search on cooperative practice sharing, Appendix G illustrates that as complexity (K) increases, the common purpose advantage grows substantially, reaching over 3% in highly complex organizations compared to a - 0.3% disadvantage in simple organizations (i.e., where $K = 0$).

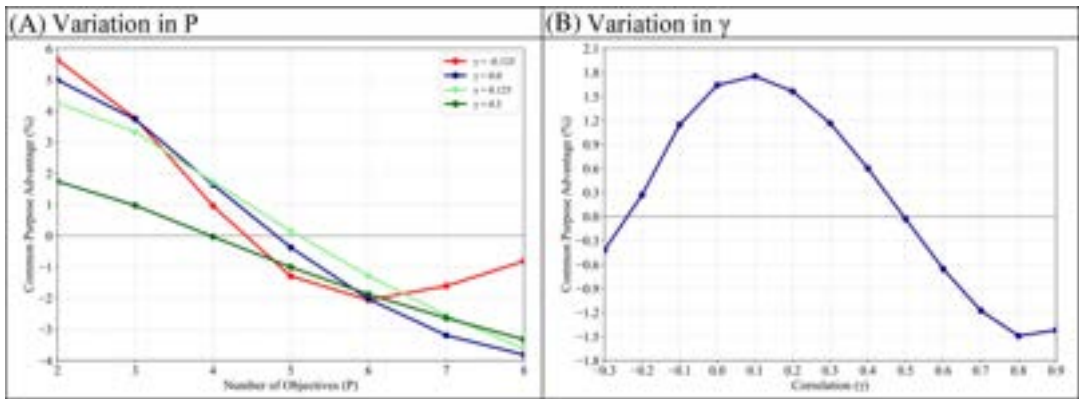


FIGURE 3 The common purpose advantage across number of objectives (P) and objective correlation (γ). Panel A examines how the common purpose advantage changes with the number of objectives (P) and the correlation amongst those objectives (γ). Panel B fixes $P = 4$ and plots the common purpose advantage against γ .

common purpose advantage varies with the number of objectives (P) as well as the degree to which these objectives are correlated (Meyer & Gupta, 1994). The pairwise correlation between any two organizational objectives, $p_g, p_h \in P$, is given by the parameter γ (See Appendix H.1 for details). When $\gamma = 0$, the objectives are uncorrelated. As γ goes toward 1, the objectives become increasingly positively correlated. Conversely, as γ goes toward $\frac{-1}{P-1}$, the theoretical limit, the objectives become increasingly negatively correlated. Essentially, γ determines whether, on average, a strategic choice that leads to a performance improvement on one objective is likely to be associated with either increases or decreases in performance on others.

Figure 3 Panel A shows how the common purpose advantage varies over the number of objectives (P) across four separate values for the correlation between the objectives: $\gamma = -0.125$, 0, 0.125, and 0.5. Using the following parameter choices ($N = 24$, $K = 5$, $Q = 60$, $U = 1$, $\delta = 12$), we vary the number of objectives from two to eight (i.e., P takes the values in the range 2 to 8).

The results show that, when there is a positive correlation between the objectives (i.e., $\gamma \geq 0$), there exists a negative linear relationship between the number of objectives and the common purpose advantage. This result conforms to the performance cost associated with the pursuit of incrementally more objectives as established in the literature (e.g., Ethiraj & Levinthal, 2009; Jensen, 2001; Obloj & Sengul, 2020). For all correlation values (γ), the common purpose advantage is positive when there are between two and four objectives. In the case of a two-objective firm, the common purpose advantage is greatest at approximately 5.7% in the case that $\gamma = -0.125$ and is at its lowest at approximately 1.8% in the case that $\gamma = 0.5$. When the firm pursues more than five objectives (with a minor exception at $P = 5$ and $\gamma = 0.125$), there is a common purpose disadvantage. The value of $P \geq 5$ should be interpreted as a general guide that as the number of objectives approaches a large number, the benefit of managers working toward a common set of objectives diminishes, and as per the perspective of Ethiraj and Levinthal (2009), working toward a subset is more optimal. Logically, as the number of objectives on which managers compare performance increases, it becomes increasingly improbable for a manager to outperform a peer across all objectives, which limits the efficacy of the transfer of better practices.

With the number of objectives fixed as four (i.e., $P = 4$), Panel B illustrates the common purpose advantage over a range of correlation values (γ) from -0.3 to 0.9 .¹⁴ The results conform to the same intuition as before. At low values of γ there is a common purpose disadvantage, since myopic units achieve superior performance on at least one of the objectives via local search. Meanwhile, for the firm in which agents pursue all objectives, units struggle to improve performance via local search and distant search is similarly ineffective as the large negative correlation makes outperformance across four objectives unlikely. For moderate values of correlation, between -0.2 and 0.5 , there is a common purpose advantage. This advantage reaches its height of approximately 1.8% when the correlation between the objectives is 0.1. The common purpose disadvantage returns for correlation greater than 0.5, reaching a nadir of -1.5% , since the high positive correlation means objective myopia generally improves on the other objectives too, and also renders the performance environment less complex which makes local search more effective and distant search less effective.¹⁵ This is consistent with Ethiraj and Levinthal's (2009) observation that "goal myopia is the best strategy when goals are positively related."

Appendix H.2 offers an extension and complementary view on our findings on the relationship between the number of organizational objectives and the common purpose advantage. We find a curvilinear relationship between the number of objectives managers pursue (ρ) and firm performance, with the intermediate value ($\rho = P/2$) yielding optimal results by balancing efficacious local search with valuable distant search; additionally, while performance generally decreases as the number of objectives (P) increases, this decline is less pronounced when objectives are more positively correlated.

Appendix H.3 offers a test of ecological validity on 382 firms from 2015 to 2021. We find a positive and statistically significant association between managers working toward a common purpose and firm operational performance, with an increase of ~ 1 SD in common purpose associated with a 0.373% increase in performance; however, this positive relationship weakens as the number of sustainability-related objectives increases, providing ecological validation for the aforementioned model results.

5.2 | Corporate diversification and environmental turbulence

In this section, we explore the common purpose advantage as a function of business diversification, under conditions of modularity (which governs the extent to which there are interdependencies between business lines) and environmental turbulence (the extent to which the performance environment undergoes shocks).

In Figure 4 Panel A we return to the baseline parameters and vary the number of business lines in the firm from two to eight ($U \in [2,8]$), across *modularity* values of 0.2 to 1. Inter-unit interdependencies are allocated randomly to units under the same manager. The value U

¹⁴The case in which $\gamma = 1$ represents a special case in which all the objectives are perfectly correlated and so are, in reality, just a single objective. Here the common purpose advantage is 0 because it does not matter if you pursue the same objective four times or just once, it is identical.

¹⁵When the objectives are more positively correlated, the local peaks of the landscapes are more likely to lie in similar areas: a strategy that has a good performance on one objective is more likely to have a good performance on the other objectives (see Appendix B). Objective myopia facilitates the unit reaching a local peak on the focal objective. The greater the value of γ , the more likely it is that the point of a local peak on the focal objective is associated with above average performance on the other objectives. For very large values of γ , however, this effect dominates and myopia is preferable since it provides a local search advantage that leads to correlated payoffs on the other objectives.

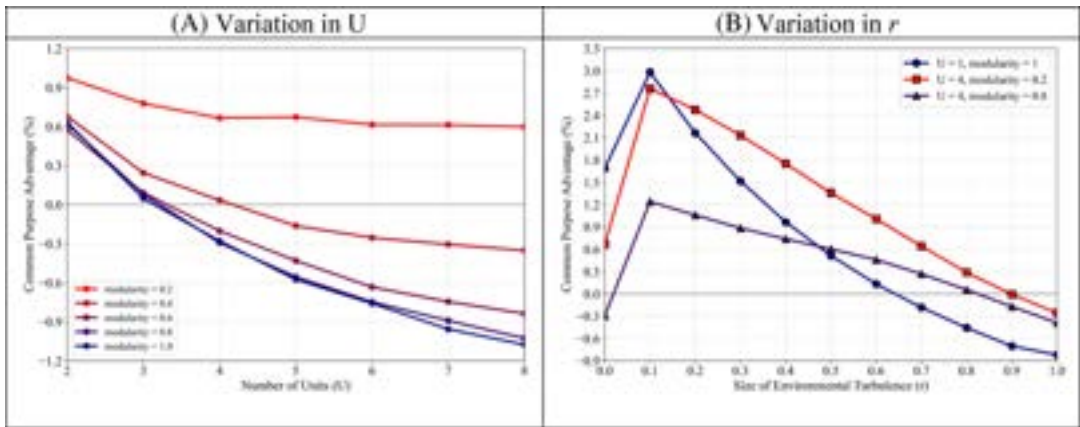


FIGURE 4 Common purpose advantage across corporate diversification (U) and environmental turbulence (r). (A) Variation in U . (B) Variation in r . This figure explores how the common purpose advantage changes with the firm's number of business lines (U), *modularity*, and environmental turbulence (r).

represents the absolute level of diversification, without regard to the level of relatedness between units. Other parameter choices are as before (i.e., $N = 24$, $K = 5$, $Q = 60$, $P = 4$, $\delta = 12$).

Panel A illustrates a decline in the common purpose advantage in more diversified firms. This decline is more pronounced when the firm is highly modular. As the number of business lines (U) increases, the performance benefit of managers engaging in better practice sharing is weakened. For a focal manager to adopt a better practice, the peer must outperform on average across all their units on the objectives the focal manager pursues (see Equation 4). As U becomes large, there is a regression toward the mean effect in terms of average performance (i.e., it is unlikely for any given manager to have several units with very high or low performance on any objective, let alone across all four), making it increasingly unlikely that any manager will identify better practices across the full set of objectives. Consequently, an increase in U leads to a sharp decline in the expected value of distant search, resulting in a common purpose disadvantage. This disadvantage is less pronounced, however, when modularity is low. In firms with several highly interdependent units, local search is rendered less effective because a performance change in one unit has cascading effects across other units. Since each unit is likely already in its own local peak, the effect is actually negative, on average.

Thus far we have seen the common purpose advantage under a stable business environment. Next we extend our simulation to account for environmental turbulence. In turbulent environments the performance environment undergoes a shock of size r every 25 periods, where r is a parameter between 0 and 1 indicating the correlation strength between the pre- and post-shock landscapes (Siggelkow & Rivkin, 2005).¹⁶ Greater values of r indicate greater magnitude of turbulence. We vary r over three conditions of the number of business lines and modularity: the single business firm we have explored so far ($U = 1$, *modularity* = 1) and a multi-business firm ($U = 4$) across two considerations of modularity (*modularity* = 0.2 and 0.8)

¹⁶Every 25 periods the value ω_{qio} is replaced by $(1-r)\omega_{qio} + r\varpi_{qio}$, where ϖ_{qio} is a new draw from a uniform distribution over the unit interval $U(0, 1)$ and r is a parameter between 0 and 1 indicating the correlation strength (Siggelkow & Rivkin, 2005). See Appendix I for details.

to explore how the effect of turbulence depends upon modularity as well as diversification (Chen et al., 2019; Rawley, 2010). Other parameter choices are as before (i.e., $N = 24$, $K = 5$, $Q = 60$, $P = 4$, $\delta = 12$).

Figure 4 Panel B shows the common purpose advantage as a function of the size of the environmental turbulence (r). Across all cases of U and *modularity*, at low levels of environmental turbulence, an increase in turbulence yields an increase in the common purpose advantage. In the case of the single business firm ($U = 1$), the baseline, where $r = 0$, corresponds to an average common purpose advantage of 1.7%. This rises to 3% in the case of low turbulence (i.e., $r = 0.1$). For high environmental turbulence (i.e., $r > 0.6$), the direction is reversed and it becomes a common purpose disadvantage of between -0.1 and -0.9% . When $r = 1$, the performance environment is completely redrawn, similar to starting again from random initial conditions. Similar trends are present for the case in which $U = 4$ for the two separate values of *modularity*. The intuition for this result is that better practice sharing between managers leads to high convergence in terms of the strategies of managers' units, which reduces the overall strategic diversity within the population. This erosion of strategic diversity then weakens the efficacy of subsequent practice sharing by the same logic as Section 4.3, creating a situation analogous to starting with low initial diversity (low initial δ values). In other words, the process that gives rise to the common purpose advantage in stable environments leads to a common purpose disadvantage in turbulent environments. For high values of r , where the performance environment is almost entirely redrawn after a shock, the convergence creates a situation comparable to starting the search process with low δ values, thereby replicating the logic and result of the common purpose disadvantage from Section 4 and Figure 2.

It is interesting to observe that this negative effect is less pronounced for more diversified firms (i.e., greater values of U), because as we have seen, there is less convergence toward better practices in such firms. The results suggest that even highly-modular diversified firms benefit from managers pursuing the full set of objectives in moderately turbulent environments but not in stable environments or in highly turbulent environments (Aggarwal & Wu, 2015; Rawley, 2010). More generally, turbulent environments generate variance in performance, creating a rewarding situation for broader exploration of new solutions (Claussen et al., 2015). Since convergence to better practices weakens the breadth of subsequent exploration, environmental turbulence not only makes "a prior strategic orientation, regardless of its success, no longer effective" (Tushman & Romanelli, 1985, p. 178), it makes future search no longer sufficiently effective to generate a common purpose advantage. In such turbulent environments, then, irrespective of the number of business lines or modularity, managers should resist the urge to converge onto better practices, e.g., by adopting a less connected network structure or engaging in objective myopia. This finding is complementary to others observed earlier, e.g., Posen and Levinthal (2012) who showed turbulence induces less exploration since garnered knowledge (i.e., better practices) cannot be accumulated over time to the same extent as when there is less or no turbulence.

5.3 | Search function of the agent: Heterogeneous unit and manager objectives

Thus far, each manager and their units pursued the same objectives, both in number (p) and type (P_q). Next we study whether the most effective way for a firm to allocate their objectives across agents depends on the function of the agent within the firm. We allocate objectives to

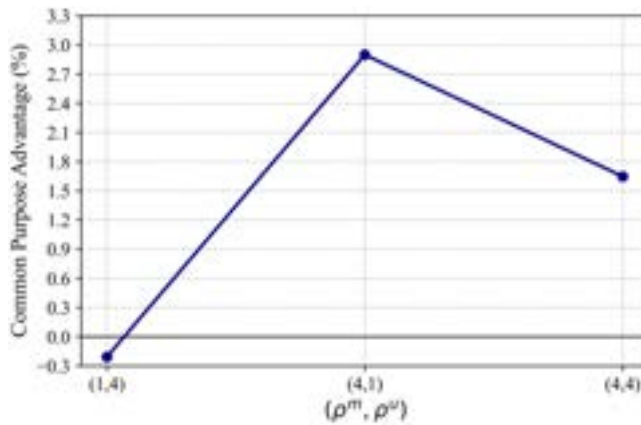


FIGURE 5 Common purpose advantage and heterogeneous manager-unit number of objectives. The horizontal axis shows how many objectives the manager (ρ^m) and the unit (ρ^u) each pursue, while the vertical axis shows the common purpose advantage relative to the single-objective baseline ($\rho^m = 1, \rho^u = 1$).

managers and units by introducing two parameters: ρ^m as the number of objectives each manager pursues, and ρ^u as the number of objectives each unit pursues.¹⁷ In order to facilitate a theoretically consistent interpretation of a common purpose advantage, as before, we define the baseline case as $\rho^m = \rho^u = 1$. Accordingly, the advantage for a given configuration (ρ^m, ρ^u) is measured as the relative performance difference versus this single-objective baseline, as in Equations 5–7. We consider three possibilities for $(\rho^m, \rho^u) = (1,4)$, that is, the manager pursues a single objective and the unit pursues all four; $(\rho^m, \rho^u) = (4,1)$, that is, the manager pursues all four objectives and the unit pursues just a single objective; and $(\rho^m, \rho^u) = (4,4)$ which corresponds to the baseline case we have explored thus far. We return to the same parameter choices as before (i.e., $N = 24, K = 5, Q = 60, U = 1, P = 4, \delta = 12$). The results are shown in Figure 5.

The disadvantage associated with $(\rho^m, \rho^u) = (1,4)$ and the advantage associated with $(\rho^m, \rho^u) = (4,1)$ illustrates that the most effective way for firms to allocate objectives depends on the function of the agent (i.e. focus on search or better practice sharing). Insofar as an agent engaging in local search benefits from the pursuit of a single objective (see Appendix B), it is preferable that the unit pursues a single objective. Conversely, to the extent that better practice sharing engendering distant search is more efficacious across the full set of objectives (see Figure 2), it is favorable for the manager to pursue the full set of objectives. This logic underpins the observation that firm performance is the highest (a nearly 3% advantage at $(\rho^m, \rho^u) = (4,1)$) when the unit is myopic and the managers work toward a common purpose. This suggests that it is most important for the primary information-sharing agents (i.e., the managers) to work toward a common purpose to make the capacity for better practice sharing to generate for distant search the most valuable. Whereas, conforming with the BTF perspective on managing the

¹⁷For each manager in the firm, the set of objectives pursued by that manager, $P_q^m = \{p_g, \dots, p_h\}_q^m$, is of size ρ^m , $|P_q^m| = \rho^m$. Now, for each unit in the firm, the set of objectives pursued by that unit, $P_q^u = \{p_g, \dots, p_h\}_q^u$, is of size ρ^u , $|P_q^u| = \rho^u$.

Both allocation still respect that the $\binom{P}{\rho}$ possible combinations of objectives are equally divided between the Q managers and QU units so that each manager/unit pursues exactly ρ^m/ρ^u objectives, and each objective p_o is pursued by exactly $\frac{\rho^m Q}{P}$ managers and $\frac{\rho^u QU}{P}$ units.

complexity of multiple objectives, it is preferable for the entrepreneurial agents (i.e., the units) to focus on just a single objective to make local search as effective as possible. By contrast, when $(\rho^m, \rho^u) = (1, 4)$ it is the worst of both worlds, associated with a disadvantage of approximately -0.3% . The case in which $(\rho^m, \rho^u) = (4, 4)$ corresponds to the common purpose advantage we have seen in Figure 2 in Section 4.

6 | DISCUSSION

In this paper, we explored when it is advantageous for agents in multi-objective firms (as a multi-actor, decision-making collective) to work toward the full set of organizational objectives rather than focusing their efforts on a single organizational objective. Following a long tradition of modeling, we (1) replicate prior insights and evidence further contexts in which objective myopia remains optimal and (2) by modulating the nature of the informational space in which agents' search efforts occurred according to the MTF, we uncover the conditions wherein managers working toward a common purpose (i.e., the full set of objectives) can outperform similar firms where managers would focus on a single objective. The mechanism underlying the common purpose advantage is the capacity for managers to engender distant search through better practice sharing with one another. As such, a first-order condition for the emergence of a common purpose advantage is sufficient strategic diversity amongst managers' units, so that better practice sharing engenders sufficiently valuable distant search to assuage the performance costs of weakened local search.

Beyond this, Table 2 delineates the conditions under which a common purpose advantage emerges. Overall, these contingencies suggest that there is no universal solution; the value of a common purpose depends on the firm's specific organizational and environmental conditions.

Before stressing the paper's contribution, we recognize its inherent limitations. We take care to acknowledge that the "results obtained via simulations simply reflect the properties and assumptions specified by the modeler" (Knudsen et al., 2019). As with any model, our representation of the firm and of agents' behavior represents a simplification of reality (Cohen & Cyert, 1965; Knudsen et al., 2019). We assumed that units' search was strictly local. Units' search could, however, become increasingly distant after negative performance feedback (Billinger et al., 2021; Maslach, 2016), which may be more frequent in multi-objective contexts or in relation to noisy feedback (Joseph & Gaba, 2015). Similarly, as managers and units learn about the underlying distribution of the search space through better practice sharing, they may change the degree to which they seek out novel strategies (Posen et al., 2018; Puranam et al., 2015). Furthermore, while our model treats unit performance as purely additive in calculating firm-level outcomes, firms often exhibit synergies across related units (Chen et al., 2019; Rumelt, 1974) and regions (Ghoshal & Bartlett, 1990). Additionally, in assuming perfect information transfer between managers and units, we abstracted away from cognitive and organizational barriers that can impede the transmission and implementation of practices across the firm (e.g., Baumann et al., 2019; Szulanski, 1996; Szulanski et al., 2004). We also do not model the implementation frictions that would arise when functionally specialized units instantiate the purpose into distinct, unit-specific pragmatic objectives (Barnard, 1938), an issue particularly salient when comparing related versus unrelated diversification (Rumelt, 1974). Consequently, such frictions may not only impose a boundary condition on the scope of firm-wide practice sharing but could also mean the "common purpose advantage" itself manifests as parallel processes within a diversified firm, each with its own instantiation of purpose (e.g., the

TABLE 2 Summary across conditions.

	Common purpose advantage when: (managers should pursue the full set of objectives)	Common purpose disadvantage when: (managers should focus on a single objective)
Number of managers	Many	Few
Number of objectives	Few (less than 5 in our simulations)	Many (more than 5 in our simulations)
Objective correlation	Moderate	High positive or high negative
Business diversification	Low or high non-modular firm	High modular firm
Environmental turbulence	Low or moderate	High
Organizational complexity	Moderate or high	Low
Function of the manager	Practice sharing	Local search

advantage within Samsung Heavy Industries as distinct, across a unique set of pragmatic objectives, from that within Samsung Electronics). Despite these limitations, our paper contributes to three domains.

6.1 | Contribution to research on multi-objective and purpose-driven firms

Our results are consistent with past works from the BTF using NK-models (Chen et al., 2019; Ethiraj & Levinthal, 2009) as well as observational data (Gaba & Greve, 2019; Obloj & Sengul, 2020). They contribute by providing a systematic examination of determinants not easily observable in the real world that press on the performance outcomes of multi-objective firms. Our model extends prior modeling efforts on multi-objective firms by introducing multi-level search to a multi-objective firm (Chen et al., 2019; Ethiraj & Levinthal, 2009). Importantly, this approach allows us to both ensure a faithful representation of the MTF's focus on the functions of managers in explaining firm performance (Barnard, 1938) and examine the interplay between individual search behaviors and vicarious practice adoption across different hierarchical levels (Simon, 1947, 1981; Fang et al., 2010; Koçak et al., 2023).

Our results suggest that the most effective way for a firm to distribute their organizational objectives across their agents depends on the function of the agent (as focused on local search or on practice sharing). Incorporating both the MTF's suggestion of managers working toward a common purpose and the BTF's perspective of units reducing the complexity of their search environment by pursuing just a single objective, the firm is able to accrue the benefits of both perspectives (Figure 5). Our results offer insight into recent empirical observations. For example, Gartenberg et al. (2019) find that a strong corporate purpose is associated with superior performance only when it is experienced clearly at the level of the middle manager (Gartenberg et al., 2019). Our model suggests why: distant search enabled by managers' better practice sharing helps the firm reconcile performance improvement efforts across distinct objectives. Moreover, our analysis provides theoretical grounding to Obloj and Sengul's (2020) finding that more frequent face-to-face meetings reduce the performance cost of pursuing multiple objectives. We complement this empirical insight by illustrating that simply having managers share practices

does not make it preferable to pursue the full set of objectives unless such practice sharing engenders sufficiently valuable distant search.

These findings also shed new light on case analyses from the MTF (Bartlett & Ghoshal, 1994; Gulati, 2022; Joly, 2021) and empirical findings on associations between corporate purpose and performance (Gartenberg et al., 2019; Appendix H.3). Current empirical work on corporate purpose is limited by (a) its reliance on engagement surveys and employee opinions, (b) a definition of purpose that is too generic (a statement from top executives) or too experiential (employees' perceptions of meaning and pride), and (c) an incapacity to examine inter-agent information flows (Durand & Huynh, 2024). Following Barnard, we defined purpose per its two consubstantial dimensions, a superordinate objective and a set of pragmatic objectives. Under this definition, firm performance can be expressed as performance across pragmatic objectives, with common purpose advantage representing the average performance benefit on each objective from each manager pursuing the full set. This definition stresses the cooperative nature of organizations and decision-making functions from which outcomes emerge (Barnard, 1938; Gavetti et al., 2007; Gavetti et al., 2012). It helps address the aforementioned constraints that limit research on corporate purpose, enabling scholars to measure the extent to which a firm pursues its purpose, theorize and test information sharing across agents, and observe conditions (actualized or not) to account for performance heterogeneity.

While unattested in our model, future research might explore whether leadership styles incarnating the superordinate element of purpose can increase motivation and engagement, reinforcing the exchange of better practices and enhancing the common purpose advantage, potentially corroborating prior intuitions from Barnard (1938), Bartlett and Ghoshal, and recent proponents of corporate purpose (Durand & Asmar, 2025; Gartenberg et al., 2019; Pratt & Hedden, 2023).

6.2 | Contributions to research on diversification and firm structure: The promises of the E-form

Our findings speak to research on diversified firms (Aggarwal & Wu, 2015; Chen et al., 2019; Rumelt, 1974). Applied to geographically diversified firms, our work suggests that they can overcome localness in their search through geographically dispersed managers working toward a common purpose and sharing better practices (Rosenkopf & Almeida, 2003; Rosenkopf & Nerkar, 2001; Stuart & Podolny, 1996). This yields an advantage even in the face of moderate environmental turbulence but conforms to the rigidity implications of diversification in periods of high environmental turbulence (Aggarwal & Wu, 2015; Chen et al., 2019; Rawley, 2010). In general, in highly turbulent environments, distant search has greater value (Claussen et al., 2015), while acquired better practices have less (Posen & Levinthal, 2012). In such environments, then, units' convergence toward better practices weakens the long-run common purpose advantage by impeding the future breadth of better practice sharing engendered via distant search (see Figure 4 Panel B). Thus, in highly turbulent environments, objective myopia may be preferable (Sakhartov & Folta, 2015).

Our results further suggest that highly diversified, modular firms may benefit from disaggregating their objectives across geographic domains. However, when substantial unit interdependencies impede units' search for improvements (Chen et al., 2019) and lead to potential rigidities (Aggarwal & Wu, 2015; Chen et al., 2019), it may again be beneficial for managers to pursue the full set of objectives (see Figure 4 Panel A). Interestingly, however, in moderately

turbulent environments, it is preferable even for highly diversified modular firms for managers to work toward a common purpose (see Figure 4 Panel B).

Bartlett and Ghoshal, attempting a revival of Barnard's original insights (1938), identified an organizational form that was emerging in large, diversified, global firms during the 1990s (e.g., Intel, 3 M, Toyota, and ABB in particular). This form departed from the traditional M-form not only with its conceptualization of the firm as a cooperative system working toward a common purpose, but also via an emphasis on horizontal over vertical information processing and a decentralization of entrepreneurial processes. Echoing Barnard, Bartlett and Ghoshal's model envisioned top-level managers as creators of organizational purpose, yet they also conceptualized the role of middle managers as horizontal integrators of knowledge and capabilities, and front-line managers as the entrepreneurs and performance drivers.

To generalize Bartlett and Ghoshal's (1993, 1994) intuition beyond the specific example of ABB and to integrate Barnard's original insights, we could define another ideal type of organizational model as the "E-form."¹⁸ Just as the central differences between the U-form, M-form, and H-form can be articulated in terms of corporate structure, organizational processes, and management roles, so too can we distinguish an E-form in this manner. In Appendix A.2 we sketch the E-form "in terms of three core positions within a company's management structure—the front line, middle and top-level managers—and the behaviors and actions associated with each of them", p. 44. We illustrate the organization by managers' functional roles rather than structural aspects.

Focal to the E-form is shifting the locus of entrepreneurship to front-line units, which has material implications for the understanding of firm performance and the origins of a performance advantage. Specifically, it emphasizes the front-line units and their entrepreneurial behavior as the basic building block of structure (and the ensuing performance). Our model reflected this spirit as units are the locus of search and the generation of novel, alternative strategies. As reasoned by Barnard, "a large organization of complex character consists not of the services of individuals directly but of those of subsidiary unit organizations. Nowhere in the world, I think, can there be found a large organization that is not composed of small units. We think of them as having descended from the mass, whereas the mass can only be created from the units" (Barnard, 1938, p. 110). Hence, this ideal type E-form, beyond its descriptive characteristics, involves prescriptive management rules that coincide with values that support and sustain cooperation and information sharing across agents, units, and managers. We now possess the conceptual clarity and the empirical tools (that MTF lacked 30 years ago) to assess a systematic composition of large firms from the bottom-up aggregation of smaller constitutive units with entrepreneurial and discovery capacities. Inspired by the first steps in this direction provided by the present study, comparative analysis of traditional top-down/center-periphery versus E-form (and of mixed forms) could revive the strategy-structure research stream that was central to the field decades ago (Hall & Saias, 1980; Jones & Hill, 1988; Miller, 1986, 1996; Mintzberg, 1990).

¹⁸The designation of 'E' is based on two considerations. First, following the convention of using letter-based visual metaphors for organizational structures, the letter 'E' with its three horizontal lines represents the three layers of management central to this organizational form: executives, middle managers, and front-line managers. Second, the 'E' emphasizes the shift of entrepreneurship within the organization, the transition of entrepreneurial activity away from senior leadership towards front-line units.

6.3 | A distinct theory of the firm and effectiveness as a core construct for strategy

Although provocative, the MTF did not spawn an abundant stream of research, probably because of the difficulties associated with its concepts (e.g., corporate purpose, functions of managers, effectiveness) and a lack of theoretical and empirical tools to extend the theory and test its validity and boundary conditions, respectively. Just as Ocasio (1997) introduced the Attention-Based View (ABV) to revive Simon's (1947) original insights on attention and explicitly "link structure and cognition" since the BTF perspective had deemphasized the former, this paper marks a potential revival of interest in the MTF (Barnard, 1938).

This paper draws attention to Barnard's (1938) original insights about the firm as a cooperative system oriented toward a common purpose. Several of Barnard's insights around hierarchy, decision-making, and organizing shaped strategy's canonical works (e.g., Simon, 1947; Lawrence & Lorsch, 1967b; Ghemawat, 1991), whereas other insights concerning corporate purpose and cooperation largely faded into obscurity despite a brief revival attempt in the 1990s (Bartlett & Ghoshal, 1994). Reincorporating the assumption that formal organizations are cooperative systems formed to achieve a common purpose (Barnard, 1938) is highly relevant given current discourses around corporate responsibility and purpose (Gulati, 2022; Joly, 2021) and may serve as a source of enrichment of current theories and frameworks used in strategy research.

Amongst many possible, we stress two striking dimensions worthy of interest for future research. First, the MTF describes, studies, and theorizes about the firm in terms of managers' functions.¹⁹ It strives to do so in the language of managers, what some called a "lay ontology" (see Calori, 2000; Durand, 2023). To the extent that a theory's utility for managers depends on the realism of its underlying assumptions, the MTF represents a significant ontological departure from the currently dominant theories of the firm for which realism and lay ontologies matter less (Friedman, 1953; Ghoshal & Moran, 1996; Lester, 1946). In this sense, MTF may offer a distinct approach to the theory of the firm in terms of managerial functions beyond assets, resources, or capabilities; putting cooperation first; and speaking the language of actors, be they frontliners, middle managers, or executives. Relatedly, the MTF replaces the cynical assumptions of agency theory and transaction cost economics by embracing a fundamentally optimistic view of human nature—one where individuals, given the right organizational context (Ghoshal & Bartlett, 1994), gravitate toward collective success rather than opportunistic self-interest (Ghoshal & Moran, 1996; Moran & Ghoshal, 1996).

Second, considering firm performance in the context of MTF, strategy and management scholars could, as we did, adopt Barnard's notion of effectiveness: "Effectiveness relates to the accomplishment of the cooperative purpose [...] The test of effectiveness is the accomplishment of a common purpose" (Barnard, 1938, p. 60). Insofar as the common purpose advantage represents the average performance benefit on each of the firm's pragmatic objectives, it by transitivity captures the extent to which the firm achieved its superordinate purpose. Our model, therefore, provides insight into the most effective way for a firm to distribute their organizational objectives across their managers. Concretely, echoing effectiveness in a Barnardian sense,

¹⁹See: "Participants in specific cooperative systems are regarded in their purely functional aspects, as phases of cooperation" (Barnard, 1938, p. 16); "it is not persons, but the services or acts or action or influences of persons, which should be treated as constituting organizations" (Barnard, 1938, p. 83).

it tells us how a firm should distribute their organizational objectives across their managers to achieve their purpose to the greatest extent.

Moreover, from our results, to achieve larger values of effectiveness, purpose as a superordinate objective should not be overly complex. A more complex superordinate objective demands a greater number of varied pragmatic objectives in order to direct decision-making toward its achievement, which “constitutes in itself a factor of instability in cooperation” (Barnard, 1938, p. 36).²⁰ In our simulations we do observe that, depending upon the level of correlation between the objectives, when the number of objectives grows large performance weakens and the common purpose advantage dissipates (see Figure 3). Hence, one could infer that the number of pragmatic objectives needed to instantiate purpose as a (complex) superordinate objective is a limiting factor on the scope and complexity of the purpose that a firm may elaborate to maintain its effectiveness and competitiveness. Furthermore, this distinction between performance and effectiveness establishes that the comparison of the performance of a purpose-driven firm to one that does not state a purpose beyond shareholder value is misguided. A subset of the pragmatic objectives of the two firms may be comparable, to the extent that both firms pursue some financial objective, yet a valid comparison in terms of effectiveness is not possible because the firms exist to achieve distinct purposes. Accordingly, the counterfactual that a firm ought to care about according to Barnard and the MTF tradition is an alternative version of the same firm with the same superordinate purpose –and not a set of imperfectly comparable rivals.

The renewed interest in corporate purpose originated from practitioners like Hubert Joly (Best Buy), Larry Fink (BlackRock), Paul Polman (Unilever), and Emmanuel Faber (Danone), rather than the academics. For management theory to retain its relevance, the decade to come needs a radical, significant theoretical re-modeling, or the gap between practice and theory may become unbridgeable, leaving us unable to address firms’ and society’s challenges. Among others, revisiting MTF’s overlooked insights offers a potential path to narrow this gap. Inspired by the managerial perspective (Barnard, 1938), we believe it is time to develop falsifiable, “modellable,” and cumulative research that not only describes practice but also guides it. We hope this paper marks a step in this direction.

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DATA AVAILABILITY STATEMENT

Data subject to third party restrictions (for ecological validity test). For the simulation Data openly available in a public repository that issues datasets with DOIs.

²⁰See also: “When the purpose is not simple [...] the nature of the individual action necessary is difficult to grasp by the actor” (Barnard, 1938, p. 107).

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