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RESEARCH NOTE

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A broader corporate purpose? Evidence from UK public companies, 2000–2016

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Abstract

This paper examines the extent to which corporate leaders have discursively embraced the logic of stakeholder theory. Using textual analysis of chairperson and CEO letters to shareholders of public companies in the UK during the 2000–2016 period, we find that, over time, attention to shareholders declined and attention to customers, society and CSR increased. These shifts were more pronounced during the financial crisis. Chairpersons and CEOs also appear to exhibit different loci of attention. Our findings indicate that corporate purpose did become "broader" in recent years; however, despite this trend, attention to employees did not increase.

KEYWORDS

attention to goals and stakeholders, corporate purpose, stakeholder theory

INTRODUCTION

What is the proper purpose of the corporation? Recent years have witnessed an explosion of interest into this topic (e.g., Gulati, 2022; Mayer, 2021a; Meyer, Leixnering, & Veldman, 2022). One trigger has been the wave of corporate scandals in the United States and Europe at the beginning of the millennium (e.g., Enron in 2001, WorldCom in 2002, Parmalat in 2003). The financial crisis of 2007—2009 also shook confidence in big business and raised concerns about the role of corporations in society. Corporations have increasingly been blamed, or at least deemed co-responsible, for a variety of societal ills, including climate change, wealth inequality, and political misinformation (Davis, 2021; Porter & Kramer, 2011).

At the root of these problems, many critics argue, is the doctrine of shareholder primacy (Bratton, 2001; Davis, 2021; Stout, 2012). This doctrine holds that corporations should be run in the interest of shareholders (Berle, 1931; Jensen & Meckling, 1976). Within the boundaries of the law, the only social responsibility of business is to increase its profits (Friedman, 1970). Because profitability can sometimes be boosted by exerting negative externalities on other stakeholders, the widespread adoption of this doctrine in the 1980s and 1990s may have contributed to exacerbating societal problems.

An alternative perspective, usually associated with the stakeholder theory of the firm, is that corporations should consider a larger set of stakeholders than just shareholders when taking decisions (Freeman, 2010; Jones, 1995). Customers, employees, business partners, and society all make investments that are crucial to the success of the company; thus, their needs and interests should also be taken into account by corporate leaders.

In recent times, and partly as a response to the scandals and crises mentioned above, the stakeholder perspective appears to have gained traction. Larry Fink, CEO of BlackRock, wrote for instance that "To prosper over time, every company must not only deliver financial performance, but also show how it makes a positive contribution to society" (Fink, 2018). The Business Roundtable, an organization whose members include many of America's most prominent CEOs, provides another illustration. In 1997, the organization held that "the paramount duty of management and of boards of directors is to the corporation's stockholders." In 2019, however, it revised its statement, committing many of its members to lead their companies for the benefit of all stakeholders, not just their

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shareholders (Business Roundtable, 1997, 2019). However, backlash against "woke" capitalism has also recently emerged, with stakeholder theory remaining a controversial topic in the business world (e.g., Financial Times, 2022a; Guardian, 2022).

In this paper, we examine the extent to which the logic of stakeholder theory has been embraced, discursively at least, by corporate leaders. We contrast a "narrow" view of corporate purpose—where company leaders focus on maximizing financial returns for shareholders—to a "broader" perspective where corporate purpose aims instead to transcend profit maximization and create value for multiple stakeholders (George et al., 2023; Kaplan, 2023). While there is a lot of discussion about corporate purpose in the press and academia, our work contributes to providing much needed systematic evidence on the issue.

Our data come from annual reports of FTSE 350 non-financial companies during the 2000–2016 period.[1] Within each report, we perform a textual analysis of the chairperson and CEO letters to shareholders using a dictionary approach (e.g., Craig & Amernic, 2021; Dutt & Joseph, 2019; Eklund & Mannor, 2021). We focus on five goals: financial performance, innovation, operations, growth, and corporate social responsibility (CSR), and five stakeholders: shareholders, customers, employees, business partners, and society. We measure attention to goals or stakeholders by calculating how often they are mentioned in a letter, relative to other goals or stakeholders. As in prior work (e.g., Eggers & Kaplan, 2009), we posit that, if a corporate leader mentions a goal or stakeholder more often in his or her letters, then he or she also pays more attention to that goal or stakeholder than to others.

We examine whether leaders have increasingly been focusing in their letters on a broader set of goals and stakeholders than just financial performance and shareholders. A positive answer to this question would indicate that, discursively at least, corporate purpose has become "broader" during our sample period. This would also support Ocasio, Kraatz, and Chandler's (2023) argument that the current societal movement on corporate purpose can be conceptualized as one rejecting the logic of shareholder capitalism and proposing sustainable capitalism in its place.

We acknowledge that chairperson and CEO letters to shareholders cannot be taken at face value. These letters are written to produce positive impressions on target audiences, most notably investors and analysts. Thus, their contents may reflect more what corporate leaders perceive as legitimate and appropriate communications vis-à-vis key audiences than what they actually do in their jobs (e.g., Hooghiemstra, 2000; Walden & Schwartz, 1997). In line with institutional perspectives (DiMaggio & Powell, 1983; Dowling & Pfeffer, 1975; Suchman, 1995), therefore, our results should be interpreted as shedding light on which logics of capitalism are perceived as more appropriate in society.

We find that, over our sample period, attention to shareholders decreased, and attention to customers, society, and CSR increased. Thus, in their dialogue with shareholders, corporate leaders appear to have increasingly embraced the logic of stakeholder theory. These trends were particularly pronounced during the financial crisis of 2007–2009, consistent with the idea that demonstrating a pro-social attitude is especially valuable when trust in corporations is low (Lins et al., 2017). We also distinguish between CEOs and chairpersons, and provide some evidence of a division of attention within the board.

Previous work has documented the rise of the shareholder value logic in the UK in the 1980s and 1990s (Lok, 2010). Ioannou and Serafeim (2015) have also shown that, during the 1990s and 2000s, analysts' perceptions of CSR became more favorable. We complement this limited body of work by examining corporate leaders' communications over the period 2000–2016.

Our most surprising finding is the following. We expected the embrace of a stakeholder logic to be accompanied by an increase in attention to all stakeholders other than shareholders. However, while attention to society and customers increased, attention to employees did not.[2] Our interpretation of this finding is that corporate leaders perceive commitments to employees as very costly. While attention to customers or the environment may be framed as a "win-win" (beneficial to both shareholders and stakeholders), attention to employees may call for policies, such as higher wages or better working conditions, that are largely detrimental to profits. Attention to employees may require "sharing the pie" more than "growing the pie".

This interpretation suggests that most companies only embrace a "convenient" or "instrumental" type of purpose (Gulati, 2022; Jones, 1995; Porter & Kramer, 2011). Corporate leaders only acknowledge the importance of other stakeholders when addressing their concerns is conducive to higher profits. Issues where the interests of shareholders and stakeholders diverge are instead largely ignored. By distinguishing between multiple goals and stakeholders, thus we provide a more nuanced picture of how conceptions on corporate purpose have evolved.

INSTITUTIONAL LOGICS AS A DETERMINANT OF CORPORATE LEADERS' ATTENTION

Which issues do corporate leaders pay attention to in their communications? Ocasio (1997) defines attention as encompassing the noticing, encoding, and focusing of

[1]The FTSE 350 is a stock market index that includes the 350 largest (by market capitalization) stocks traded on the London Stock Exchange (LSE). It incorporates both the FTSE 100 (largest stocks on the LSE, 1 to 100) and the FTSE 250 (largest stocks, 101 to 350).

[2]The coefficient on attention to employees is actually negative, although not statistically significant at conventional levels. See Table 4 in Section 4.

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time and effort by decision-makers on issues and potential solutions. A key tenet of the attention-based view is that the broader sociocultural context, as captured by the prevailing institutional logics, is an important determinant of how individual decision-makers allocate their attention (Thornton & Ocasio, 2008). Conforming to prevailing logics might be especially important when communicating with stakeholders, as decision-makers may want their messages to be perceived as legitimate by their target audiences.

Institutional logics are "socially constructed, historical patterns of material practices, assumptions, values, beliefs, and rules by which individuals produce and reproduce their material subsistence, organize time and space, and provide meaning to their social reality" (Thornton & Ocasio, 1999: 804). Institutional logics differ from individual cognitive frames because they capture aspects of the sociocultural environment which affect the cognition and behavior of individual actors. Institutional logics exert their influence on cognition through two main mechanisms: (i) they generate "a set of values that order the legitimacy, importance, and relevance of issues and solutions; and [(ii) they provide] decision makers with an understanding of their interests and identities. These interests and identities generate in turn a set of decision premises and motivation for action" (Thornton & Ocasio, 2008: 114).

Institutional logics focus the attention of decision-makers on specific sets of issues and solutions; however, their relative importance tends to change over time. For instance, several studies demonstrate the increasing importance of market logics in contemporary America, relative to other logics such as those of the family, religion, or profession (e.g., Glynn & Lounsbury, 2005; Thornton & Ocasio, 1999). This literature builds on historical accounts to identify shifts in institutional logics and shows that they lead to similar shifts in attention and in new determinants for executive decisions (Thornton, 2004).

This paper focuses on two logics of corporate purpose: one associated with the shareholder primacy view and the other with stakeholder theory (Ioannou & Serafeim, 2015; Stout, 2012). Institutions that sustain and reproduce these logics include academia, the media, nonprofit organizations such as the Business Roundtable mentioned in Section 1, and the government.

While in the 1980s and the 1990s the shareholder primacy view was undoubtedly the dominant logic in Anglo-Saxon boardrooms (see, e.g., Lok, 2010), in recent times attitudes have changed. Corporations have increasingly been perceived as a major cause of social, environmental, and economic problems. Investors, employees, and consumers have increasingly demanded that corporations demonstrate their social credentials.

One illustration is provided by the growth of sustainable investing. According to the Sustainable Investment Forum (2020), sustainable investment in the United States grew from $639 billion in 1995 to $17.1 trillion at the start of 2020, with the most rapid growth having occurred since 2012. At the start of 2018, global sustainable investment, as measured by the Global Sustainable Investment Alliance (2018), reached $30.7 trillion in five major geographical markets, which include the United States and Europe (a 34% increase since 2016).

Customers and employees also increasingly favor companies that align with their values. The PwC Global CEO Survey (2016) found that 27% of CEOs believed that their customers sought relationships with organizations that addressed wider stakeholder needs. That figure was expected to rise to 44% in 2021. Similarly, 59% of CEOs believed that top talent wanted to work with organizations that shared their social values. That figure was expected to rise to 67% in 2021. Consumer purchasing decisions and worker wage requirements have also been found to be affected by perceptions of corporate social responsibility (e.g., Burbano, 2016; Chatterji & Toffel, 2019).

However, the last few years have also witnessed a backlash against "woke" capitalism and the rhetoric of stakeholder theory (e.g., Financial Times, 2022a; Guardian, 2022). Acceptance of stakeholderism, some scholars argue, would make corporate leaders less accountable and more insulated from shareholder oversight, hurting performance and reducing the economic pie available to both shareholders and stakeholders (Bebchuk & Tallarita, 2020).

Within this context, we propose a first set of questions to guide our research: *Are corporate leaders increasingly embracing the logic of stakeholder theory in their communications with shareholders?* In other words, *is corporate purpose becoming "broader"?* We also ask: *Are all stakeholders treated equally in this dialog, or are some stakeholders perceived as more important than others?* In line with both institutional and strategic approaches to organizational legitimacy (DiMaggio & Powell, 1983; Dowling & Pfeffer, 1975; Suchman, 1995), we suggest that the adoption of a stakeholder rhetoric reflects an understanding of what corporate leaders perceive as appropriate and legitimate communications vis-à-vis their key audiences.

Next, we examine specific events that might have triggered a shift in rhetoric. Accounts of the weakening of the shareholder primacy view and the rise of a stakeholder logic almost invariably highlight the role of scandals and crises as a catalyst for change (e.g., Kaplan, 2019; Stout, 2012). The 2007–2009 financial crisis, in particular, was a watershed moment because it greatly tarnished the reputation of many large institutions. Public confidence in large corporations plummeted. Commentators called for a new social contract between business and society; one that would achieve a better balance among the claims of the firm's stakeholders (Porter & Kramer, 2011; Segrestin & Hatchuel, 2011).

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Lins et al. (2017) provide evidence that it is precisely in moments like these that investments in CSR pay off. However, while increasing investments in CSR may be beneficial, expanding programs instantaneously may be difficult. In the short term, it might be more expedient to simply emphasize existing initiatives more in communications with stakeholders. Thus, we ask: *Did the financial crisis trigger a shift in corporate leaders' communications with shareholders?*

Research in organization theory suggests that leaders in different roles exhibit different loci of attention (Ocasio, 1997; Simon, 1976). Simon (1976) argues that, because of bounds to human rationality, organizations must be designed so that only limited information is brought to the zone of attention of individual decision-makers. Only by integrating the specialized attention of multiple decision-makers, organizations can collectively attend to a large number of issues and stakeholders (Belenzon, Hashai, & Patacconi, 2019; Crilly & Sloan, 2014; Patacconi, 2009).

In light of these considerations, we ask our final research question: *Do leaders in different corporate roles, specifically CEOs and chairpersons, systematically prioritize different goals and stakeholders in their communications with shareholders?*

METHODOLOGY AND DATA

In this paper, we study whether corporate leaders are embracing the logic of stakeholder theory by examining whether they focus in their communications on a broader set of goals and stakeholders than just financial performance and shareholders.

To measure how attention to goals and stakeholders has changed over time, we use a well-established textual analysis methodology. Scholars argue that words frequently used in company documents, such as CEO letters to shareholders, convey important information about the issues corporate leaders pay attention to (e.g., Dutt & Joseph, 2019; Eklund & Mannor, 2021). Letters to shareholders allow CEOs to espouse their vision, strategy, ideologies, and leadership style. They "provide a year-by-year history or "social account" of a corporation from the privileged perspective of a CEO" (Craig & Amernic, 2021: 8), which is particularly important in our context as we perform a longitudinal analysis.

According to the institutional perspective adopted in this paper, letters to shareholders also reveal what actors in particular roles think it is legitimate to say in their communications. Indeed, from our perspective, the congruence between what leaders say and what they think is not essential. Regardless of their veracity, letters to shareholders convey valuable information on what leaders perceive as appropriate communications.

One concern is that leaders may sometimes rely on communication professionals to write their letters. However, as Amernic et al. (2007: 1845) argue, "few CEOs delegate responsibility to others for determining the thoughts and issues that will comprise their completed letters. The thinking and issues that infuse the CEO's letter are determined primarily by the CEO. As such, the letters can be regarded as indicative of the CEO's mindset – irrespective of whether or not the letters are crafted in their entirety personally by the CEO or by a 'ghost writer'. Indeed, as signatories of their letter, CEOs assume legal responsibility for its content."

In this paper, we focus on five goals and stakeholders. Among stakeholders, we selected shareholders, business partners, customers, employees, and society (or communities). These are the primary stakeholders according to Freeman (2007) and the ones by far most frequently mentioned by scholars and practitioners.[3] Identifying goals was more subjective. We selected financial performance (a goal closely related to the shareholder primacy view) and CSR (a goal closely related to the stakeholder view). To have five goals in total (as for stakeholders) and to examine operational aspects of management, we also selected innovation, operations, and growth.[4]

We created a comprehensive dictionary for each goal and stakeholder group using deductive and inductive techniques (see, e.g., Short et al., 2010). For each group, we searched synonyms in Sketch engine and The Corpus of Contemporary American English online tools. We then pilot-tested the lists of synonyms and kept only relevant synonyms; dubious synonyms and synonyms with multiple meanings were eliminated. Our dictionaries were further tested by randomly selecting 20 CEO and 20 chairperson letters from our set of annual reports. Based on careful readings of these reports, we updated the dictionary by (i) excluding synonyms if their meaning was inaccurate in the context of the reports, and (ii) by adding new synonyms that were relevant, for instance, in specific industries.

Using these dictionaries, summarized in Table 1, we constructed our measures of attention. For example, to measure attention to customers, we counted how many times words such as "customer", "client", "consumer", "user", "buyer", etc., were mentioned in the text.

[3]For instance, in its statement on the purpose of a corporation, the Business Roundtable (2019) mentions (i) delivering value to our customers; (ii) investing in our employees; (iii) dealing fairly and ethically with our suppliers; (iv) supporting the communities in which we work; and (v) generating long-term value for shareholders.

[4]Goals and stakeholders can be related. Financial performance, for instance, is obviously related to shareholders. We use the term CSR to identify all the social goals, aspirations, or "responsibilities" of the firm. Thus, CSR is related not only to society but also to customers, employees, and business partners. The links among innovation, operations, and growth on one hand, and stakeholders beyond shareholders on the other, are less obvious (although one could make the case, for instance, that innovation benefits society). The correlation matrix in Table 3 below shows how different goals and stakeholders are related in our data. In terms of dictionaries, there is some overlap between CSR and society. However, as Table 3 shows, the correlation is far from perfect (0.469).

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TABLE 1 Dictionary: goals and stakeholders.

Term/cluster	Synonyms/collocation
Panel A: Goals	
Financial performance	profit*, profitability*, profitable*, revenue*, performance*, sales*, financial* performance*, EPS*, earnings*, free* cash* flow*, EBIT*, return*, cash*, income*, dividend*, market* capitalization*, market* capitalisation*
Innovation	science*, scientific*, technology*, innovation*, research*, R&D*, technological*, research* and* development*, innovative*, innovate*, patent*, licensing*, technologies*
Operations	efficiency*, risk*, optimization*, operation*, maximise*, maximize*, maximisation*, maximization*, optimisation*, optimization*, optimising*, optimizing*, optimise*, optimize*, efficient*, efficiencies*, productivity*, competitive* advantage*, cost*, restructuring*
Growth	market* share*, expansion*, growth*, international*, market*, China*, Chinese*, India*, global* footprint*, invest*
CSR	society*, environmental*, earth*, planet*, sustainability*, societal*, social*, climate* change*, corporate* social* responsibility*, corporate* responsibility*, volunteer*, carbon* reduction*, carbon* emission*, charity*, charitable*, renewable*, greenhouse*, fundraising*, community*, communities*, regulation*, regulatory*
Panel B: Stakeholders	
Shareholders	shareholder*, investor*, owners*, creditor*
Business partners	partner*, suppliers*, alliance*, collaborator*, collaboration*
Customers	customer*, client*, guest*, visitor*, patient*, consumer*, passenger*, buyer*, user*, shopper*, audience*, viewer*
Employees	employee*, worker*, staff*, fellow*, team*, management*, our* people*, its* people*, executives*, colleague*, workforce*, crew*
Society	government*, society*, country*, community*, communities*

Our main data source are the annual reports of FTSE 350 companies listed on the London Stock Exchange (LSE). We manually collected UK annual reports from the companies' official websites, as well as several other sources, including Thomson Reuters Eikon database, Wayback Machine internet archive, Morning Star, Northcote, and Zonebourse online resources. Our sample includes annual reports of UK non-financial companies that were part of FTSE350 index (as of July 28, 2017) over the 2000 to 2016 period.

We focus on two sections of these reports: the letter (or statement) of the chairperson to shareholders and the letter (or statement) of the CEO to shareholders. A few companies in our sample provide a joint CEO and chairperson letter. When we measure attention without distinguishing between CEOs and chairpersons, we use these joint letters and combine the other firms' chairperson and CEO letters into a single statement for each firm. When we distinguish between roles, we only examine letters from chairpersons and CEOs, and omit joint letters from the analysis.[5]

We performed textual analysis by counting how many times each goal or stakeholder was mentioned in the letters using the dictionaries from Table 1 and normalized the total by computing shares of attention for each goal or stakeholder as follows:

$$Attention_{i,t,k} = \frac{n_{i,t,k}}{\sum_{1=1}^{5} n_{i,t,l}}. \quad (1)$$

$Attention_{i,t,k}$ measures the share of attention allocated by leaders of firm i in year t to goal or stakeholder k, and $n_{i,t,k}$ measures the number of times goal or stakeholder k was mentioned in letters to shareholders by firm i in year t. Goals and stakeholders are both indexed by l.

We supplemented these attention measures with firm-level information from the Thomson Reuters Eikon and Datastream databases. The resulting dataset covers the 2000–2016 period and contains information on 2742 firms. For goals, as shown in Table 2, financial performance attracts on average about 38% of corporate leaders' attention in our sample, and growth 35%. For stakeholders, customers attract 35% of leaders' attention, followed by employees (28%) and shareholders (19.6%).

Table 3 shows the correlation between attention measures for goals and stakeholders.

RESULTS

Our focus is on how leaders' attention in corporate communications has changed over time. We estimate the equation:

$$Attention_{it} = \beta_0 + \beta_1 * Trend + \beta_2 FC_{it} + \beta_2 lnTA_{it} + f_i + \tau_t + \varepsilon_{it},$$

where $Attention_{it}$ indicates the share of attention to a specific goal or stakeholder i at time t. *Trend* is a time trend, *FC* is a dummy variable that captures the effects of the

[5]Annual reports are collected in a searchable pdf format. These searchable pdf files are then transformed to text files using R library "pm" and Xpdf utility. Chairperson and CEO letters to shareholders containing fewer than 350 words are dropped from the analysis because they are too short to draw reliable conclusions and could potentially indicate a problem with a specific pdf-to-text file conversion.

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TABLE 2 Summary statistics.

Variable	Firms	Mean	Std. dev.	Distribution		
				5th	50th	95th
Attention to goals						
Financial performance	2742	37.85	11.34	20.00	37.31	57.14
Innovation	2742	5.20	6.31	0.00	3.06	18.18
Operations	2742	16.29	8.69	4.62	14.89	32.35
Growth	2742	35.30	10.36	18.92	35.01	52.76
CSR	2742	5.36	6.00	0.00	3.57	17.31
Attention to stakeholders						
Shareholders	2741	19.60	15.49	0.00	16.13	50.00
Business partners	2741	7.90	9.42	0.00	5.26	25.93
Customers	2741	35.28	21.26	0.00	35.71	70.59
Employees	2741	28.29	14.90	6.90	26.83	54.17
Society	2741	8.92	10.12	0.00	5.88	29.03
Firm-level controls						
Ln (assets)	2673	21.85	1.62	19.31	21.72	24.63
Tobin's Q	2499	3.71	4.92	1.33	2.51	9.45

Notes: This table provides summary statistics for the main firm-level variables used in the econometric analysis. Variables measuring attention to goals and stakeholders are constructed using textual analysis of annual reports of FTSE 350 non-financial companies over the period 2000–2016.

TABLE 3 Correlation matrix: attention over goals and stakeholders.

	Shareholders	Bus partners	Customers	Employees	Society
Financial performance	0.187	−0.091	0.019	−0.029	−0.199
Innovation	−0.184	0.138	0.130	−0.006	−0.110
Operations	−0.025	−0.015	−0.127	0.100	0.170
Growth	−0.027	0.020	0.095	−0.032	−0.128
CSR	−0.077	0.014	−0.153	−0.029	0.469

Notes: This table reports correlations between our measures of attention to goals and stakeholders. Variables measuring attention to goals and stakeholders are constructed using textual analysis of annual reports of FTSE 350 non-financial companies over the period 2000–2016.

2007–2009 financial crisis as defined by the CEPR, and $lnTA_{it}$ controls for firm size. We further include firm fixed effects (f_i) to control for unobservable time-invariant firm-level heterogeneity and year fixed effects (τ_t) to account for changes in macroeconomic conditions. Standard errors (ε_{it}) are robust to arbitrary heteroskedasticity.

Table 4 summarizes the results. We observe a significant level of stability in how leaders allocate their attention over time. Most time trend coefficients are not statistically different from zero, suggesting that attention to many issues did not significantly change over time in relative terms.

Some significant patterns, however, do emerge. Attention to customers and society increased, while attention to shareholders decreased. Attention to CSR also increased during the sample period. Quantitatively, our results indicate that attention to CSR increased by about 3% a year on average from its mean value; attention to shareholders decreased by about 1.3%.

The same patterns emerge when one looks at the raw data. Attention to CSR increased from a low level of less than 3% of total attention in 2000 to about 5.5% in 2016. As a percent change from mean value, this constitutes a 46.6% increase over the whole sample period. By contrast, attention to shareholders decreased from about 21.7% in 2000 to 17.3% in 2016. Overall, the results suggest that, in their dialog with shareholders, corporate leaders started to increasingly embrace the logic of stakeholder theory.

There is, however, no evidence that attention to employees increased. If anything, the negative, statistically insignificant coefficient on the time trend in column (9) suggests that corporate leaders started paying less attention to employees over time. In the raw data, attention to employees also drops marginally, from 29.7% in 2000 to 28.4% in 2016. Not all stakeholders are treated equally. While corporate leaders increasingly emphasize customers and society in their communications with shareholders, employees are not afforded the same, increasing importance.

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TABLE 4 Changes in the focus of attention over time.

	Attention to goals					Attention to stakeholders				
	Fin. perform.	Innovation	Operations	Growth	CSR	Shareholders	Bus. partners	Customers	Employees	Society
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Time trend	−0.006	−0.011	0.013	−0.159	0.163***	−0.250**	−0.016	0.254*	−0.133	0.145*
	(0.099)	(0.045)	(0.065)	(0.098)	(0.041)	(0.112)	(0.065)	(0.139)	(0.123)	(0.074)
Financial crisis	0.079	−1.913***	2.233***	−1.597*	1.198***	−2.795**	0.131	2.411*	−1.238	1.490**
	(0.981)	(0.395)	(0.719)	(0.960)	(0.449)	(1.129)	(0.771)	(1.338)	(1.333)	(0.701)
Ln (total assets)	−0.297	0.097	−0.283	0.391	0.092	−0.793	−0.168	0.160	1.077	−0.275
	(0.795)	(0.336)	(0.483)	(0.857)	(0.332)	(0.825)	(0.588)	(0.938)	(1.039)	(0.701)
Constant	43.511**	4.286	22.497**	28.655	1.052	39.091**	11.603	30.557	6.785	11.964
	(16.833)	(7.150)	(10.217)	(18.192)	(7.008)	(17.625)	(12.513)	(19.982)	(21.990)	(14.801)
Firm fixed effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Year fixed effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Adjusted R-squared	0.407	0.628	0.488	0.343	0.516	0.458	0.369	0.607	0.334	0.447
Observations	2663	2663	2663	2663	2663	2662	2662	2662	2662	2662

Notes: The table reports the results of firm fixed effect regressions that examine changes in the focus of attention to goals (columns 1–5) and stakeholders (columns 6–10) for FTSE 350 non-financial companies over the period 2000–2016. Standard errors (in brackets) are robust to arbitrary heteroscedasticity and allow for serial correlation through clustering by firms.

Most accounts of shifts in corporate logics emphasize the role of the 2007–2009 financial crisis as a catalyst for change. Consistent with these accounts, the dummy for financial crisis in Table 4 has a positive and significant effect on attention to CSR and society (columns 5 and 10) and a negative effect on attention to shareholders (column 6). During the financial crisis, companies tended to emphasize their contributions to society, and de-emphasized their contributions to shareholders. This supports the idea that a focus on CSR may be especially valuable when trust in corporations is low (Lins et al., 2017).

Not surprisingly, companies also paid less attention to innovation and growth, and more attention to operations and customers, during the crisis than in non-crisis times.

Differences in attention allocation between CEOs and chairpersons

Organization theory suggests that leaders in different roles exhibit different loci of attention (Ocasio, 1997; Simon, 1976). We distinguish between CEOs and chairpersons by including a CEO dummy variable in our main specification. Table 5 reports the estimation results.

We observe significant differences in the focus of attention between these two roles. CEOs paid less attention to financial performance and CSR, and more attention to innovation, operations and growth, than chairpersons. CEOs also paid more attention to business partners, customers and society, and less attention to shareholders and employees, than chairpersons. These differences persist over the whole sample period, with minor variation between years.[6]

Overall, CEOs appear to focus on external stakeholders (business partners, customers, and society) and the operational aspects of management (innovation, operations, and growth), while chairpersons focus on internal stakeholders (shareholders and employees). These differences are arguably related to the different demands of their jobs. CEOs are responsible for running the company and presiding over its day-to-day operations. Boards and their chairpersons, instead, must engage with shareholders and, since 2018 in the UK, also with the workforce.[7]

DISCUSSION AND CONCLUDING REMARKS

In response to corporate scandals and the recent financial crisis, commentators have called for a new social contract between business and society. Corporations and their

[6]Interestingly, the relationship between CSR and financial crisis is no longer significant (albeit still positive) when the CEO dummy variable is introduced (column 5). This suggests that the increasing attention to CSR during the financial crisis came predominantly from CEOs.

[7]As we discuss more fully below, the UK Corporate Governance Code (2018) now requires UK boards to adopt mechanisms to strengthen employee voice and engage with the workforce.

TABLE 5 Differences in the focus of attention between CEOs and chairpersons.

	Attention to goals					Attention to stakeholders				
	Fin. perform.	Innovation	Operations	Growth	CSR	Shareholders	Bus. partners	Customers	Employees	Society
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Time trend	0.118	0.0003	−0.059	−0.231**	0.172***	−0.234**	−0.041	0.265**	−0.121	0.132*
	(0.099)	(0.047)	(0.065)	(0.097)	(0.042)	(0.117)	(0.060)	(0.124)	(0.120)	(0.067)
Financial crisis	0.090	−1.659***	2.188***	−1.102	0.482	−2.735**	−0.406	2.007	0.218	0.916
	(0.907)	(0.360)	(0.630)	(0.868)	(0.480)	(1.161)	(0.664)	(1.244)	(1.222)	(0.713)
CEO	−11.467***	2.324***	4.256***	5.909***	−1.021***	−16.342***	3.464***	21.211***	−9.939***	1.606***
	(0.682)	(0.211)	(0.309)	(0.498)	(0.390)	(0.796)	(0.391)	(0.838)	(0.868)	(0.444)
Ln (total assets)	−0.684	−0.043	0.051	0.281	0.394	−0.310	0.316	−1.405	1.076	0.322
	(0.707)	(0.337)	(0.468)	(0.770)	(0.303)	(0.749)	(0.552)	(0.900)	(0.951)	(0.540)
Constant	58.868***	5.344	12.672	27.893*	−4.777	39.426**	−0.807	50.637***	12.796	−2.052
	(14.830)	(7.071)	(9.882)	(16.219)	(6.345)	(15.799)	(11.736)	(19.182)	(20.079)	(11.364)
Firm fixed effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Year fixed effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Adjusted R-squared	0.408	0.484	0.367	0.268	0.318	0.401	0.250	0.530	0.260	0.321
Observations	5565	5565	5565	5565	5565	5552	5552	5552	5552	5552

Notes: The table reports the results of firm fixed effect regressions that examine differences in the focus of attention between CEOs and chairpersons for FTSE 350 non-financial companies over the period 2000–2016. Columns 1–5 focus on attention to goals, while columns 6–10 focus on attention to stakeholders. Standard errors (in brackets) are robust to arbitrary heteroscedasticity and allow for serial correlation through clustering by firms.

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leaders have been asked to act more responsibly to achieve a better balance among the interests of the firm's stakeholders (Porter & Kramer, 2011; Segrestin & Hatchuel, 2011). This has sparked a vigorous debate, not confined to academia, about the proper purpose of the corporation (e.g., Mayer, 2021a; Meyer, Leixnering, & Veldman, 2022). Using data from CEO and chairperson letters to shareholders in annual reports from 2000 to 2016, this paper provides evidence consistent with a reorientation of attention toward a more stakeholder-centric view of the company.

A distinguishing feature of our approach is the granular analysis of goals and stakeholders. We find that leaders' attention to different stakeholders varied a great deal. While attention to customers and society increased, attention to employees did not and perhaps decreased. This may be surprising, as growing inequality and wage gaps between CEOs and other employees have captured the attention of both the popular press and academia.

We interpret the lack of leaders' attention toward employees in the light of the distinction between instrumental and ethical stakeholder theory (e.g., Jones, 1995; Langtry, 1994). Instrumental stakeholder theory argues that, by doing good, organizations can engender positive responses from stakeholders, thereby facilitating the achievement of their goals. This is conducive to "win–win" situations where both firms and stakeholders win. By contrast, ethical stakeholder theory emphasizes the intrinsic moral obligation to consider stakeholders' interests and well-being, regardless of their direct contribution to the organization's success. We submit that a focus on customers or the environment, by engendering positive responses from stakeholders, can be good for business (a "win–win"). Conversely, greater attention to employees, by prompting demands for higher pay or better working conditions, can be detrimental to profits. We suggest that corporate leaders by and large concentrate on issues where "win–wins", "shared value," and a "business case" can be constructed (Porter & Kramer, 2011). Thorny issues where the interests of shareholders and stakeholders diverge are instead neglected. As a result, most companies only exhibit what we may call a "convenient" or "instrumental" type of purpose (Gulati, 2022; Jones, 1995). Companies that intrinsically care about stakeholders' welfare are much rarer.

Consistent with these arguments, many companies well-known for their strong customer, social or environmental orientation—Starbucks, Amazon, Apple, etc.—have at the same time also adopted anti-union tactics, arguably because unionization tends to raise costs and reduce profitability (Financial Times, 2022b; Washington Post, 2022). Similarly, Holm, Fong, and Anteby (2024) document that Disney, despite negotiating and signing a labor contract with puppeteers at the California Walt Disney Parks and Resorts, simultaneously reduced opportunities for them to work, thus making the negotiated agreement obsolete.

Because left on their own many companies may prefer to ignore distributional issues, this paper provides support for recent regulatory changes in the UK aimed at strengthening employee voice in boardrooms. The UK Corporate Governance Code (2018) now requires UK boards to adopt one of the following mechanisms: (i) a director appointed from the workforce; (ii) a formal workforce advisory panel; or (iii) a designated non-executive director. Our findings suggest that, in the absence of regulatory pressure, corporations' incentives to strengthen employee voice may be insufficient.

The primary audience of letters to shareholders are prospective and existing investors. Thus, a potential contribution of the paper is also to clarify the role of shareholders in shaping corporate purpose. Consistent with theories of purpose that emphasize maximizing shareholder welfare instead of market value (e.g., Hart & Zingales, 2017), shareholders can and often do pressure companies to pay greater attention to other stakeholders, as their preferences may not be purely selfish. However, as Mayer (2021b) has noted, shareholder pressure is no panacea, as shareholders' interests and those of society may still diverge greatly. Shareholders, in particular, may not support employee involvement in corporate governance, as this may lead to higher wage costs. Clearly, there are limits to what corporations may be willing to do, absent government intervention, to achieve a better balance between the interests of shareholders and those of other stakeholders.

This paper has several limitations. First, our measures of attention are derived from letters to shareholders. As corporate leaders care about how their communications are perceived (Melloni, Patacconi, & Vikander, 2023; Walden & Schwartz, 1997), these letters may not accurately reflect what companies actually do. Exploring to what extent "words" in letters match corporate actions or "deeds" is an important direction for future work. We also focus on one specific institutional environment—firms listed in the London Stock Exchange. The extent to which our findings generalize across institutional contexts is clearly worth investigating.

We only scratched the surface of many important issues. Are some stakeholders systematically neglected by corporate leaders? Why is it so? By emphasizing stakeholder power (or the lack of it), Odziemkowska and Dorobantu (2021) and Odziemkowska, Kaul, and Luo (2024) provide some important answers. However, much work remains to be done. Exploring how attention to stakeholders is divided among corporate leaders, or how leaders combine different stakeholders and goals in their communications, also deserves further examination.

To sum up, this paper provides, for the first time to the best of our knowledge, large-scale evidence that corporate purpose has become "broader" over time. CSR and other stakeholders now feature more prominently in corporate leaders' discourse. By highlighting differences

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in attention to different stakeholders, however, the paper also provides a nuanced view of how conceptions of corporate purpose have evolved.

AUTHOR CONTRIBUTIONS

Study conception and design: Andrea Patacconi, Anastasiya Shamshur, and Pavlo Ulianiuk. *Data collection*: Pavlo Ulianiuk. *Analysis and interpretation of results*: Anastasiya Shamshur and Pavlo Ulianiuk. *Draft manuscript preparation*: Andrea Patacconi, Anastasiya Shamshur, and Pavlo Ulianiuk. All authors reviewed the results and approved the final version of the manuscript.

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CONFLICT OF INTEREST STATEMENT

None of the authors have a conflict of interest to disclose.

DATA AVAILABILITY STATEMENT

The data that support the findings of this study are available from Thomson Reuters Refinitive and Asset4 at https://www.lseg.com/en/data-analytics. Restrictions apply to the availability of these data, which were used under license for this study.

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