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From “business as usual” to sustainable “purpose-driven business”: Challenges facing the purpose ecosystem in the United Kingdom and Australia

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Abstract

Purpose-driven businesses have a stated objective to contribute to the welfare of society and the planet alongside generating shareholder value. As interest in purpose-driven businesses grows, an emerging “purpose ecosystem” of advisers, investors, and enablers offers different types of support for businesses wanting to transition to sustainability. This paper examines how the transition towards purpose-driven business in Australia and the United Kingdom requires addressing challenges facing this support ecosystem at three levels. First, at the individual level where support providers need to build the capabilities of managers who are experiencing tensions around integrating societal and environmental purpose while facing pressure for maximizing shareholder value. Second, the support providers working within the purpose ecosystem offering professional advice and finance face their own tensions between environmental or social objectives and commercial pressures. Third, there are challenges facing actors in the ecosystems aiming to change the wider policy and institutional environment but facing

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lobbying from those wanting to keep “business as usual.” We identify practical implications for those parts of the purpose-driven business ecosystem providing support. This includes building capabilities to combine social, environmental, and commercial purpose; coordination among support providers; and creating an institutional environment to avoid “purpose wash.”

KEYWORDS

business and environment, social sustainability, sustainable enterprise

1 | INTRODUCTION

The grand challenges facing the world of climate change, planetary and human health issues, and persistent poverty have led to calls for social innovation and the development of alternative, sustainable business models that contribute to flourishing societies by focusing on addressing societal and common good purposes as well as profit (Freeman, 2017; Hollensbe et al., 2014). In response, there is rapidly growing interest among practitioners and scholars in the concept of “purpose-driven business”—organizations that pursue multiple objectives contributing to welfare of society and planet rather than a single preoccupation with generating profits or only maximizing shareholder value (Carbo et al., 2014; Fyke et al., 2016; Mayer, 2021; Muñoz et al., 2018). Examples of these include B Corps and a range of other businesses, which put a greater emphasis on social and environmental impacts (Gehman & Grimes, 2017).

While remaining classed as for-profits, these organizations particularly incorporate ethical and/or moral positions and consider social and/or environmental duties to be core to their existence (George et al., 2023). These organizations also operate with a diversity of sustainable business models (Dentchev et al., 2016; Mehera & Ordóñez-Ponce, 2021) and are argued to hold significant potential for scaling up social innovations (Tracey & Stott, 2017). While purpose-driven businesses offer alternatives to “business as usual,” there are calls for a more radical paradigm shift based on reconceptualizing purpose away from a “culture of commerce” to be more focused on transformational states of being that enable emergent possibilities of sustainability-as-flourishing by emphasizing collective value creation (Donaldson & Walsh, 2015; Ehrenfeld & Hoffman, 2013).

To help increase the number and beneficial impact of socially and ecologically purpose-driven businesses, scholars have highlighted the emerging phenomenon of a broader “purpose ecosystem,” a “self-organised economic community of organisations and interdependent stakeholders organically seeking to promote wider systemic change” (Dahmann et al., 2020, p. 2). This purpose ecosystem is argued to consist of a variety of different actors and organizations that share the intention of enabling businesses to become purpose-driven, effectively making firms operate as a “force for good” by attending to a diversity of organizational purposes beyond profit-oriented transactions (Waddock & McIntosh, 2011). They are a type of ecosystem for social innovation that have received less attention (Domanski et al., 2020; Waddock, 2022). Specifically, many purpose ecosystem organizations seek to create the conditions for wider systems

change by working with, advocating and supporting businesses to integrate social and environmental objectives into their organization's purpose (Dahlmann et al., 2020). These organizations also aim to ensure claims of purposefulness are not simply forms of greenwash by businesses continuing to focus solely on shareholder value maximization.

More broadly, however, literature on business ecosystems tends to focus on their economic benefits and outcomes, while potentially underplaying key challenges and barriers to their establishment and success in addressing social and environmental issues (Moore & Westley, 2011). Importantly, we know little about the tensions facing purpose ecosystem as they seek to support the transformation of businesses from being characterized by "business as usual" towards becoming significantly more sustainable "purpose-driven" (Carbo et al., 2014) and ultimately contribute to flourishing societies (Dahlmann & Stubbs, 2023).

Despite urgent and complex social and environmental issues (Waddock, 2022), there is resistance to the wider transformation of the business community towards "business as unusual" (Carbo et al., 2014; Waddock & McIntosh, 2011). This begs the question which actors and factors affect or restrict the emergence of sustainable, purpose-driven business ecosystems (Alvedalen & Boschma, 2017; Tracey & Stott, 2017)?

In this paper, therefore, we ask "what are the perceived types of challenges facing those that actively seek to support social and environmental purpose in businesses?" Drawing on qualitative exploratory analysis based on interviews conducted with members of the purpose ecosystem in Australia and the United Kingdom, we examine the different types and sources of challenges and barriers they experience as they seek to transform business by advocating and empowering them to serve a broader purpose of addressing social and ecological problems.

In doing so, this paper makes an important contribution to the growing literatures on purpose-driven business and the purpose ecosystem by exploring the challenges restricting their growth and effectiveness, specifically by highlighting the persistent tensions between "business as usual" and more ethical and normative dimensions of "purpose" in business. Our paper also explores theoretical implications regarding the use of the ecosystem concept in relation to social and environmental transformation of business (Alvedalen & Boschma, 2017; Diaz-Gonzalez & Dentchev, 2022).

We start by reviewing the literature on purpose in business and business ecosystems before setting out the methodology of the empirical study. We then explore our findings, with the contributions of the paper drawn out in the discussion and conclusion. We also reflect on the practical implications for business and their support providers who need to build capabilities to address social and environmental purpose alongside business objectives.

2 | LITERATURE REVIEW

2.1 | Purpose in business and purpose-driven business

While research and debate on the purpose, objectives and motives of business are long established (Ramanna, 2020; Stout, 2012), the increasing urgency and complexity of a wide range of social and environmental issues have brought renewed interest and emphasis on understanding, analyzing, and revising the role of business as part of wider sustainability transformations (Hollensbe et al., 2014; Mayer, 2021; Waddock, 2020). George et al. (2023), for example, reviewed six different research streams to evaluate and summarize how purpose is currently used by different communities of scholars, distinguishing between mission statements, vision, strategic intent, values, service, and stewardship. They suggest that

purpose in the for-profit firm captures the essence of an organization's existence by explaining what value it seeks to create for its stakeholders. In doing so, purpose provides a clear definition of the firm's intent, creates the ability for stakeholders to identify with, and be inspired by, the firm's mission, vision, and values, and establishes actionable pathways and an aspirational outcome for the firm's actions.

(George et al., 2023, p. 7)

The last decade has seen an increasing interest in corporate purpose by practitioners and scholars (Freeman, 2017; Gartenberg & Yiu, 2023). However, it is a very heterogeneous concept with no consensus on its definition (Morrison & Mota, 2021). Jimenez et al. (2021) found that going beyond profits is common to many of the definitions. Recent literature on corporate purpose has sought to synthesize the various definitions and distilled three main aspects of corporate purpose: a reason for being (*raison d'être*); an objective beyond profit maximization; and a pro-social contribution (Brosch, 2023). Here, we draw on Brosch's definition of purpose as

an organization's reason for being in terms of an objective beyond profit maximization to create value by contributing to the welfare of society and planet

(Brosch, 2023, p. 574).

Mayer's (2021, p. 889) wide-ranging stakeholder engagement project on the future of corporations in the UK further argued that "purpose is, therefore, about finding ways of solving problems profitably where profits are defined net of the costs of avoiding and remedying problems." Hollensbe et al. (2014) outline six values they argue businesses need to adopt to achieve purpose by focusing on their relationships with people and communities: (1) dignity, (2) solidarity, (3) plurality, (4) subsidiarity, (5) reciprocity, and (6) sustainability. In times of diminishing trust in business and a wave of employees re-evaluating their contributions and commitment to their firms, Bhattacharya et al. (2022) highlight that purpose has the potential to strengthen organizational connections with employees by offering them a more authentic and autonomous way for engaging in issues relevant to them, including, for example, sustainability concerns.

Beyond the focus of the firm, for those who call for a more normatively shaped approach towards studying purpose in business, the concept is best understood as the social dimension that encapsulates whether business is serving something other than the pursuit of "self-interest" and profit maximization. What differs is how this "beyond self-interest" is defined (Freeman, 2017). Duska (1977) made the distinction between purpose (objectives with actions that justify—the "what for") and motives (subjective reasons, which explain—"emotive"—the desires and drivers). The argument is that business is a social institution and as such has a redeeming social value, a purpose to do something for society. Profit may be viewed as the motive for doing business, not the purpose (Duska, 1977) and the purpose of all firms is to serve the needs of societies and communities of people involved in productive efforts. More recently, Donaldson and Walsh (2015) draw on empirical and normative approaches to theorize the purpose of business as being the optimization of collective value and a broad form of prosperity as well-being.

Similarly, Enderle (2009, 2018) adopts a normative approach defining purpose as an ethical dimension as businesses contribute to the social cohesion of a society through public wealth creation. Such wealth creation manifests in the creation of natural, economic, human, and cultural capital, by advancing public goods that "stand the test of ethical scrutiny" and by securing human rights (Enderle, 2018). Advancing public goods relies on forms of coordination beyond the market, and so purpose-driven businesses should be understood in context of processes of

coordination and collaboration with stakeholders within the wider ecosystem within which they are situated. Yet few studies focus on the normative, appreciative, and symbolic dimensions of collaborations such as purpose, goal similarity, or identity and instead focus overly on structural (power and resources) and process-based mechanisms (trust and communication) (Cloutier & Langley, 2015).

Beyond these conceptual debates on corporate purpose more broadly, research has also started to explore the extent to which purpose manifests in the development of social innovations. Of particular interest has been the focus on organizations characterized as being “purpose-driven.” While some ambiguity on the nature of purpose-driven businesses remains, social enterprises, B Corps, and other forms of hybrid organizations are typically categorized as purpose-driven (Battilana et al., 2022; Gehman & Grimes, 2017; Stubbs, 2017). Yet despite the increase in the public discourse and academic research on purpose (Gartenberg et al., 2019; George & Schillebeeckx, 2022; Muñoz et al., 2018), there is no evidence that *traditional* companies have universally accepted, and wholeheartedly adopted, a purpose-driven logic for their organizations. This raises the question whether stakeholders within this purpose ecosystem can really help change the general purpose of business across the economic system and what if any barriers exist that impede its effectiveness.

2.2 | Purpose ecosystems

Research on ecosystems in management studies is growing rapidly. The term “ecosystem” has taken on different meanings in different contexts. For example, Teece (2007) uses the term business ecosystem in a broad sense to refer to the wider community of organizations, institutions, and individuals within which an enterprise operates. In contrast, Shipilov and Gawer (2020) found that innovation ecosystems focus on a particular product or service. The industrial symbiosis (IS) literature, a subset of the industrial ecosystem literature, refers to an ecosystem as a network of firms involved in symbiotic relationships encompassing organisms (firms), functions (waste exchange), and services (environmental benefits) (Fraccascia et al., 2021). These approaches can be focused on specific industries production systems with less attention to the social and ecological systems in which they operate.

Our study of purpose-driven business ecosystems takes the broader scope set out by Teece (2007) and draws on the entrepreneurial ecosystem literature, which has been growing in importance as a way of expressing the range of actors and their interactions in particular localities (Isenberg, 2010; Mason & Brown, 2014; Moore, 1993). While it has been largely used to explore business model innovation in high tech firms and start-ups (Autio et al., 2018; Brown & Mason, 2017; Isenberg, 2014), we extend its use to consider social and ecological business systems.

While there is a good understanding of the social enterprise ecosystem (Borzaga et al., 2020), less is known about how a growing community of new actors are seeking to convert existing businesses to become purpose driven and go beyond the sole focus on shareholder value. Specifically, research has highlighted the emergence of a “purpose ecosystem” as a new phenomenon to capture the uncoordinated efforts of a variety of non-profits, social movements, consultancies, educators, and impact investors who support business leaders to change their mindsets, governance arrangements, and business models.

The business ecosystem concept is linked to the multi-actor network concept where a range of stakeholders have stake in a common issue. Such networks may be found operating at the micro-, meso- and macro-scale, although some stakeholders are better connected than others

(Neumeyer, 2022; Neumeyer et al., 2019). A purpose-driven business ecosystem can therefore increase the potential for different stakeholders engaging in “transformative collaboration” for driving systemic social innovation (Fisk et al., 2019).

Hervieux and Voltan (2016) examine the actors within ecosystems and their role in supporting social entrepreneurs. Key features of this include organizations that support a social entrepreneurial approach, support networks, and infrastructure to enable social and economic change through an ecosystem that is “connecting and bringing together actors from multiple areas, as well as educating new and potential entrepreneurs to be social innovators or ‘changemakers’” (Hervieux & Voltan, 2016, p. 285). They find two dominant tactics to cultivate ecosystems: (i) “education” to enable people to have the relevant social skills to become a change maker and (ii) a favorable environment to support social entrepreneurs’ success within societal communities that promote the common good.

Jacobides et al. (2018) emphasize the importance of exploring the tensions and challenges within ecosystems, particularly regarding the nature of interdependence and the issue of competition versus cooperation (Hannah & Eisenhardt, 2018; Kapoor & Lee, 2013). In an ecosystem consisting of organizations all wanting to promote ethical behavior, there can be specific challenges in combining the logics of social value with the commercial logics that they may have to draw on to remain in operation. While the purpose ecosystem has received only limited attention by scholars, there is a lack of understanding of the challenges facing members of the ecosystem supporting purpose-driven business, which is therefore the focus of this paper.

3 | METHODOLOGY

Since little is known about purpose ecosystems, this study employed a qualitative inductive mode of enquiry and exploratory approach (Blaikie, 2000). Inductive research is useful for answering “what” and “how” questions, as opposed to deductive research that is appropriate for answering “why” questions (using pre-determined propositions/hypotheses to test theory). Inductive research is well suited for exploratory studies to develop a rough description or an understanding of some social phenomenon, such as purpose ecosystems. The process starts with collecting data, followed by data analysis, and then the development of generalizations, which can be tested with larger samples in subsequent research studies (Blaikie, 2000).

Consistent with an inductive mode of enquiry and exploratory research, we used qualitative research methods. Qualitative researchers emphasize the interpretive nature of qualitative research (Strauss & Corbin, 1998), studying things in their natural settings. They attempt to make sense of, or to interpret, phenomena in terms of the meanings that people bring to them. Interpretivism views the social world as the world interpreted and experienced by its members from the “inside” (Blaikie, 2000)—in our case, understanding the perceived challenges that members of the purpose ecosystem face in seeking to promote purpose-driven business.

3.1 | Data selection

Our sampling criteria was purposeful given the nature of our inductive exploratory research approach. Purposeful sampling identifies information-rich cases, so researchers can learn about issues of central importance to the research question. This involves identifying and selecting

participants that are especially knowledgeable about, or experienced with, the phenomenon of interest. These cases yield insights and in-depth understanding (Patton, 2002).

To gain an insight into the purposeful business ecosystem, it is necessary to understand the challenges being faced by those who define their core role as supporting businesses in their journey to focusing on social and environmental purpose. In this study, we focused on those actors encouraging businesses to bring purpose into their mission and strategy, making businesses accountable to their wider stakeholders as well as shareholders, and ensuring the movement towards purpose-driven business is not a form of greenwash. In these activities, the support providers, advisers, financiers, and civil society organizations are well placed to observe and experience the challenges.

We conducted our research in the United Kingdom and Australia, as the researchers were located in these two countries. We acknowledge that this sample is limited but, as an exploratory study, our aim was to generate theoretical understanding of a little-researched emerging phenomenon. Any theory that emerges can be tested in other contexts to establish its range of application.

We started to build our sample frame by identifying organizations that had participated in public consultations and the authors' previous research studies on purpose-driven businesses, such as B Corps and social enterprises. We considered these stakeholders to be especially knowledgeable about, or experienced with, the purpose ecosystem. Using snowball sampling techniques (Minichiello et al., 2008), we asked these stakeholders to identify other actors in the purpose ecosystem that they had dealt with who seek to support the development of purpose-driven businesses.

We then reviewed the publicly available information on these entities through their websites, reports and social media, and through gray literature. We searched the publicly available information for words about purpose to identify the entities' role(s) in the purpose ecosystem. This process revealed a range of actors in the purpose ecosystem: advocacy/industry association/ "peak body"; certification; consultancy, PR, communications, and marketing; impact measurement; training and education; government agencies and policy makers; and investors/finance provider. This process identified 46 organizations in Australia and 32 in the United Kingdom who were invited to participate in the research (see Table 1). From this sample frame, 12 Australian and 15 UK organizations were purposefully selected for interview to ensure there was a cross section of different roles.

3.2 | Data collection

We collected data from interviews supplemented by secondary documentary material, such as websites, social media, and reports. The secondary data were used to prepare for the interviews and were also reviewed during the analysis phase if questions arose about the participants' business.

Semi-structured interview questions explored the challenges and barriers that participants face in enabling, and facilitating, businesses to become purpose-driven. We first asked participants to explain what their roles were in the purpose ecosystem. We followed this with questions about how they defined purpose and purpose-driven business; the factors enabling or inhibiting support for purpose-driven businesses; and their relationship with other actors in the purpose ecosystem. Finally, we delved into what they perceived to be the challenges, barriers, and tensions for purpose-driven businesses.

TABLE 1 Purpose ecosystem actors

Category of purpose ecosystem actor	Number in sample frame		Number interviewed	
	Australia	UK	Australia	UK
Advocacy/industry association/“peak body”	7	9	4	5
Certification	5	3	1	1
Consultancy, marketing, and impact measurement	15	10	2	4
Training & education	7	3	1	2
Investors/finance providers	8	5	4	3
Total	46	32	12	15

Interviews ranged between 45 and 75 min and were conducted face to face if possible; otherwise, they were conducted via video conferencing. Studies on the use of video conferencing and face-to-face interviews found there were several benefits to online interviews and the quality of the data collected was not compromised or “inferior” to face-to-face interviews (Maulana, 2023, p. 392). We found that the quality and richness of the data collected via video conferencing were comparable to our face-to-face interviews. All the interviews were recorded (with consent) and transcribed to aid the analysis process. Research participants were founders, partners, directors, or senior executives of their organizations.

We allocated codes to the research participants to maintain confidentiality (as per our universities’ ethics approval—see Table 2). These are used in Section 4 to attribute quotes to participants so they can remain anonymous.

3.3 | Data analysis

We used qualitative analysis methods to guide the coding process and draw out key themes (Strauss & Corbin, 1998). Following Strauss and Corbin (1998), we used a three-staged coding process (open, axial, and selective coding). First, codes were created for the different types of challenges we identified (open coding). Coding included chunks of text at the phrase, sentence, and paragraph level. Two of the authors, one in the United Kingdom and one in Australia, initially read the transcripts to get a deep understanding of the participants’ perspectives on, and experiences with, the challenges, barriers, and tensions affecting participants’ efforts to support business to become purpose-driven. The two authors discussed their coding of the major challenges, to initially identify convergence and divergence of UK and Australian participants’ perspectives.

Second, the researchers grouped the codes into categories (axial coding), where appropriate, as patterns emerged within the data (Patton, 2002). Researchers coded each other’s interviews and compared their coding results to cross-check for and reconcile discrepancies. We met regularly during this process to adjust the coding.

Third, together they identified three key themes that the categories related to and then grouped the categories under these themes (selective coding): challenges within businesses; challenges in the purpose ecosystem; and challenges in the wider institutional environment (see Table 3 for sample coding structure). A third author, who conducted some of the interviews in Australia, provided oversight of the whole process and helped with resolving discrepancies throughout the coding phases.

TABLE 2 Summary of research participants

Code	Type	Category	Country	Description
C1	F2F	Consultancy	Australia	Large multi-disciplinary consulting firm
C2	Online	Consultancy	Australia	Small consulting firm
E1	F2F	Training & education	Australia	Education centre
F1	F2F	Investors	Australia	Social impact finance
F2	F2F	Investors	Australia	Impact investor
F3	Online	Investors	Australia	Social impact finance
F4	F2F	Investors	Australia	Impact investor
A1	F2F	Advocacy/industry association/"peak body"	Australia	Representing businesses committed to sustainable development
A2	Online	Advocacy/industry association/"peak body"	Australia	Membership-based organization committed to social impact
A3	Online	Advocacy/industry association/"peak body"	Australia	Membership-based organization committed to social impact
A4	F2F	Advocacy/industry association/"peak body"	Australia	Initiative committed to sustainability and social impact
CE1	Online	Certification	Australia	Global certification body
C3	Online	Consultancy	UK	Consultancy committed to sustainability
C4	F2F	Consultancy	UK	Law firm specializing in impact investing
C5	Online	Consultancy	UK	Law firm specializing in social enterprise
C6	Online	Consultancy	UK	Small consultancy firm (north of England)
E2	F2F	Training & Education	UK	University-based education and outreach provider
E3	Online	Training & education	UK	University based impact incubator
A5	Online	Advocacy/industry association/"peak body"	UK	Membership organization committed to changing the nature of business (global)
A6	F2F	Advocacy/industry association/"peak body"	UK	Membership organization aiming to change the nature of UK business
A7	Online	Advocacy/industry association/"peak body"	UK	Membership-based organization committed to social impact
A8	F2F	Advocacy/industry association/"peak body"	UK	Non-profits committed to sustainability
A9	F2F	Advocacy/industry association/"peak body"	UK	Membership organization promoting cooperative models
F5	F2F	Investors	UK	Grant maker and impact investor
F6	F2F	Investors	UK	Impact investor
F7	F2F	Investors	UK	Social enterprise finance provider
CE2	F2F	Certification	UK	Global certification body

Abbreviation: F2F, face-to-face interview.

TABLE 3 Summary of codes, categories, and themes

Sample codes (1st order)	Sample categories (2nd order)	Themes (3rd order)
<ul style="list-style-type: none">Financial trade-offsSacrificing profitFinancial-sustainability tensionsDoing good vs. profitsEmployees/staffBoard supportInvestors & ownersCEOs & leadersCourageComplexityMeasurementShared belief	<ul style="list-style-type: none">Shifting mindsetsBalancing purpose and profit motives and imperativesExecutive mismatchResistance to change	Business level challenges
<ul style="list-style-type: none">Equity investorsPension fundsInstitutional investorsBank financeImpact investorsLack of expertisePurpose practitionersCompetition between ecosystem actorsDilutionCompetition between different forms of purpose-driven businesses	<ul style="list-style-type: none">Balancing different timeframesBusiness & investor expectations mismatchCapacity buildingPerceptions of purpose	Purpose ecosystem level challenges
<ul style="list-style-type: none">Laissez-faireGovernment interferenceChangeMission-led business reviewFiduciary dutyCICReportingPurpose wash	<ul style="list-style-type: none">Weak policy/regulatory environmentLack of government/regulatory supportBusiness culture	Institutional environment level challenges

4 | FINDINGS

Despite the growing rhetoric (and in many cases enthusiasm) about purpose in business, members of the support ecosystem identified a range of challenges affecting their efforts of supporting business to change and become purpose driven. Interviewees described many of these challenges through a diversity of broad synonyms using terms such as “trade-offs,” “sacrifices,” “tensions,” “disconnects,” “mismatch,” “misalignments,” “misunderstandings,” and “disincentives.” In coding these barriers (see Table 3), we noticed that challenges tended to fall into three categories that we will use in presenting the findings: at the level of business and support for managers (Section 4.1), at the level of the purpose ecosystem (Section 4.2), and finally at the level of the institutional environment (Section 4.3).

4.1 | Challenges within business

One of the most widely shared issues encountered by interviewees in the purpose ecosystem referred to the challenge of shifting business leaders' mindset away from their preoccupation with maximizing short-term profit for shareholders. This appeared to be a particular issue in the context of larger corporates where there are strong financial incentives for managers and their investors to solely focus on profit maximization. Respondents highlighted the deeply ingrained beliefs and habits among senior business leaders that impeded imagination and appreciation of alternative approaches towards the purpose of their businesses. More specifically, running a broader purpose-driven business was viewed as being synonymous with sacrificing financial returns.

Critically, it transpired this struggle to balance purpose and profit also existed for members of the purpose ecosystem themselves. In other words, those who sought to convert business to become purpose-driven experienced the very same challenges they also reported from the companies they engaged with. The shift to a wider vision of purpose-driven business was therefore characterized by generalized tensions between commercial and social/environmental objectives, or between mission and market, which applied to both the purpose ecosystem and the targeted businesses. In the Australian context, an interviewee referred to the challenge of balancing commercial needs and wider ethical aspirations:

Sometimes it seems like profits come at a trade-off to purpose. Survival in the early stages of a social enterprise, sometimes it means the choice between do I take that non-values aligned job or not be able to pay my rent next month—not be able to pay my people?

[A2]

Similarly in the United Kingdom, interviewees referred to the challenges of getting leaders to make sacrifices. For instance:

as I say to these businesses, if you do that and you do it seriously, there are going to be some things that you stop, there's no frictionless “win, win” here.

[A6]

This draws out a tension between the desire to “do good” and the desire for personal wealth accumulation:

I think it plays out in every boardroom every day; they'll say absolutely, I've got kids, I want to save the planet but I'm also a shareholder of ... and I want my dividend to increase every quarter. And that is a real tangible example of the disconnect between what we want as citizens and then what we expect on the other hand as in the pocket, guaranteed income stream.

[C1]

Interviewees in the purpose ecosystem saw their role as challenging and changing the established mindsets that separated profit making from doing good while recognizing the considerable pressure facing business leaders from expectations to maximize profit for shareholders.

The number one challenge is mindset, that you can do good and you can make money—giving up a narrative that to do good you have to be nice and you can never break even on that financially, and we cannot afford to really be considerate of people and the planet if we have got to make money for shareholders.

[C2]

If we make this change, to make certain decisions that may not necessarily be in our narrow financial interests and so some firms baulk at that hurdle and realise that's a step too far and they think, actually, we'd like, if I can put it like this, to stay with messaging and platitudes and marketing and positioning and this is a bit too fundamental for us.

[C4]

Therefore, a fundamental challenge facing those supporting a shift to purpose-driven business was the mismatch between executives' perceived need to have wider positive impact and the goal of maximizing shareholder value. One interviewee referred to this tension as a form of major stress for employees and a need for healing. These tensions were reported to be particularly acute in publicly traded companies where there are many investors with fewer opportunities for organizational change than in privately owned companies, family businesses, and smaller enterprises where it is possible for asset owners to look beyond short-term profit maximization.

Resistance to change is reported to occur at all levels of the firm from boards, senior executives, and from other staff with disincentives to deliver on purpose. Boards or directors play a role as "trustees of purpose" and ensuring the business is delivering its objectives. A major hindrance on the shift to purpose in business is the lack of support of boards who need to "make financial decisions that may not necessarily be in narrow financial interests." [C4] Visionary CEOs may be pushing an agenda but without the support of the board, and there is a risk that any changes may be lost when that leader leaves:

you need your board on board, no pun intended, because these purpose transformations will generally take longer than your tenure. So, if your board is not on board, you will not have the continuity of this program running through.

[C1]

The role of investors and owners of the business with positions on boards therefore becomes a key area of resistance for the support ecosystem. While some may see a shift towards purpose as a "step too far" [C4], others may sign up initially but then revert to the dominant logic of profit maximization at any time when tensions arise:

it is only credible that that business is embracing a purpose beyond profit if the owners of that business have signed up explicitly to the pursuit of that purpose over time, otherwise any purpose, beyond or even alongside profit, is at risk of the owners taking a view when trade-offs occur that profit should have been followed, rather than purpose.

[A9]

Therefore, interviewees advising CEOs found that the resistance to change can be a major challenge and pointed out that they have to emphasize the need for courage [F3]:

I often will talk to a CEO who is about to embark on the journey, and say this is the hardest three or four years you have got ahead of you, do not go in if you are faint hearted, do not go in if you do not really want it because it's so hard, you are going to have to be incredibly courageous.

[C1]

There is also a need to find ways of dealing with the complexity of balancing commercial objectives with wider purpose. One adviser had to find ways of supporting managers to sustain their transitions when they were feeling overwhelmed:

I think that one of the risks is that people feel so overwhelmed and disempowered, that they stop trying It's just cognitively difficult and I think people then go back to what's comfortable and feels less risky.

[F4]

The cognitive difficulty is linked to having to make decisions with multiple criteria and balancing multiple interests and goals. This has to be done in the context characterized by lack of information and where social and environmental impacts are harder to measure than financial metrics:

If you are running a purpose led business, then I think what that does is, the problem is it makes that decision making process more difficult because you have a range of different factors that you want to take into account ... also it's much more difficult to measure, because how do you measure whether you are achieving your social purpose or not.

[C5]

Interviewees providing support to managers found resistance among all levels of staff within an organization where senior leadership has not set out a clear purpose beyond short-term profit, or where this message has not “filtered down” [A3]. In such cases, there continue to be disincentives for being purposeful, especially where there are financial incentives and rewards based on profit alone.

4.2 | Challenges facing the purpose ecosystem support providers

Beyond the challenges encountered by businesses internally as they grapple with changing and redefining their organizational purpose beyond profits, our research also identified barriers residing among the different organizations that work to encourage and support these businesses to achieve this. Specifically, by taking an ecosystem approach, we also explore the perceptions of the various emerging advisors, investors, and other key actors about the companies they work with, and crucially also each other, regarding the barriers encountered when supporting purpose-driven business.

Some members of this purpose ecosystem have a stake in these businesses as investors, while others are part of the advisory services that leaders and boards draw on. Critically, equity investors are seen as playing a key role in the transition to purpose-driven business when they have a seat on the board and resist change. One pointed to the challenges related to pension funds and institutional investors who should be looking for 30-year horizons but were being incentivized to make short-term profits and lacked the motivation, incentive, and knowledge to explore the concept of purpose-driven business. There was thus a mismatch between the short-term horizons of investors and the extended horizons needed to create more purpose-driven businesses:

we are working with investors, you know and that's complicated because there are a whole bunch of dysfunctionalities in the way the capital markets work, which need to be addressed if this is going to happen. The biggest ones, I think, are the asymmetry of power between asset owners and asset managers There are a whole bunch of issues around the incentive structures within asset managers, who are often incentivised on very short-time horizons and therefore judge the value of companies and regularly judge them on a very short-term basis, which does not align with the long term view which purpose-led businesses have to take, so there's a whole mis-match there.

[A6]

Further challenges come from businesses balancing purpose and profit facing difficulties in accessing bank finance. This was particularly acute in Australia where purpose-driven businesses were excluded from some loan funds. In contrast, the United Kingdom has a greater supply of impact investment funds with one adviser questioning “whether the deal flow is sufficient to satisfy all of these people who are offering finance.” [C6].

This may be further evidence of the mismatch between expectations of businesses and those of the investors. It may also be due to a lack of expertise by businesses to articulate their commercial and social/environmental impacts. One support provider in the United Kingdom identified a lack of understanding of and experience with purpose-driven business in the investment community as a critical factor:

There's misalignments of interest and misunderstandings and different methodologies and approaches because everything is slightly immature, or developing or merging or moving, so things aren't fixed and standard. I've got colleagues who have come across from large banks, for instance, who are saying, well, in private equity ... every deal is the same ... and everything here is bespoke, everything's different, so everything is harder.

[CE2]

In addition to constraints around finance, there are wider challenges in terms of advising, training, and building capacity of the businesses involved. There is a growing industry of “purpose practitioners” supporting managers with the process of transition although advisers in both Australia and the United Kingdom found that smaller businesses may have trouble affording these services [F3].

Where there are advisers who specialize in purpose-driven business, there is evidence of some competition alongside complementary services (A6, C2). There is also competition between advisers focusing on sustainability issues and more mainstream management consultants and

professional services. The latter were reported to be strongly driven by profit maximization themselves leading to pressures to support any business claiming to have a sustainable purpose but not excluding those that were using this language to cover their bad practice. In this way, sustainability-oriented consultants felt that less scrupulous professional services were “being used as a fig leaf,” “to make companies look good,” and “to keep CEOs in power”:

in these big strategy houses there are some good individuals but they are stuck within dysfunctional organisations driven by senior partners for maximising profit.

In both Australia and the United Kingdom, the range of different actors promoting purpose-driven business were perceived to be working in competition with a lack of alignment:

So competing against each other for limited funding and limited opportunities to make a difference means—I mean, it just feels highly counter to what we are trying to achieve.

[F2]

Similarly, there were concerns about the growing range of actors looking to support and promote purpose-driven business. The plethora of organizations involved in its lobbying was seen by one organization in Australia as creating a risk of dilution of the core concept of purpose:

I think there are a lot of organisations that are operating in this space and more and more seem to be popping up every day, and that's great because it shows where society is at and what consumers are demanding. On the flip side, my nervousness is how much do we dilute the conversation when there are so many different players. In any ecosystem there's going to be lots of players, but I guess it's important for society that we are able to actually work together and support each other. If you put aside all the ego, essentially, we are all trying to change society and make it better.

[A3]

Similarly, tensions were reported between organizations that have different perceptions of the meaning of purpose-driven business. This comes down to how each organization is navigating the tensions between commercial and environmental/social needs, with disagreements about what is seen as the correct course of action:

I get the feeling from some of the social enterprise players, that they think B Corps are a bit lesser than social enterprises, that B Corps are muddying the waters and trying to take the glory of the social enterprises ... that B Corps are riding on the coat tails, and they are doing more.

[CE1]

4.3 | Challenges in the wider institutional environment

The third group of challenges was found at the macro-scale with a weak policy environment and a lack of support for purpose-driven business in the wider institutional

context. In both the United Kingdom and Australia, there has been a history of reducing government interference in business decisions and promoting a *laissez-faire* approach. This was viewed as a constraint on change and the transition of businesses towards purpose by interviewees.

In the United Kingdom, interviewees felt that there had not been much involvement by the government in encouraging change. There had been a “Mission Led Business Review,” which was perceived to be encouraging purpose-driven business organically without much effort being put in from government [F6]. In the United Kingdom, company law emphasizes the concept of fiduciary duty. Section 172 of the Company Act states, “A director of a company must act in the way he [sic] considers, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole [...].”¹ This concept of fiduciary duty strongly shapes investors’ behavior, and there are calls for changes aimed at pension funds investing in public companies—“a change of legislation to ensure they deliver for all stakeholders.”

In addition, an alternative legal structure has been created in the United Kingdom to promote social enterprise models with forms of community or common ownership such as the Community Interest Company (CIC) legislation. However, this is perceived to be focused on addressing solely the needs of civil society and less concerned with the commercial needs of private businesses. A campaign is ongoing by some of the UK interviewees to change company law. In Australia, there are also shifts to tackle the lack of institutional support:

Well, with our advocacy for the benefit company [legislation], we really see that as a key element to give certainty to directors about operating in a purpose-driven way and really scaling up understanding and enabling businesses to operate this way across the country. And so, we have not had support from the people that we have been speaking with in treasury. So the clarification in law is needed. So, there is a gap in our law at the moment, but more than that, there’s a gap in the standard practice of business in Australia today.

[CE1]

A final set of constraints relates to the wider business culture and movements to tackle unsustainable businesses. The lack of reporting on environmental impacts was seen as a constraint on the behaviors of investors and investees alike. While in the United Kingdom, large companies are now required to provide financial details on their climate change related risks, in Australia, climate-related financial disclosure is not mandatory. However, the regulator ASIC (Australian Securities & Investment Commission) may consider enforcement action should there be serious disclosure failures (ASIC, 2021).

While there are institutional norms and legal requirements for financial accounting, there is little to encourage social and environmental reporting, with interviewees repeatedly citing risks of social and green washing, or here specifically “purpose washing.” There have been movements to address this, but attempts to encourage social and environmental reporting are limited and businesses themselves lack the capacity to make reporting work:

[I’m] worried that it might lead to acts of social washing by businesses in it for profit only—pretending it is about actual social change How do you demonstrate that this is not you just doing it for the money and not really any purpose as you have stated in your mission statement for example.

[E1]

5 | DISCUSSION

Prior research has argued that sustainable businesses should operate with an organizational purpose based on addressing social and environmental challenges, yet many issues such as climate change continue to worsen or intensify, and efforts to affect systems transformation and mitigate negative impacts remain slow. Sustainability scholars are therefore calling for more substantive purposeful systems transformations enabled by catalytic changes within complex adaptive systems (Fisk et al., 2019; Waddock, 2022). Building on Teece's (2007) business ecosystems, our exploratory study of the emergent "purpose ecosystem" (Dahlmann et al., 2020) focused on a broader community including the businesses and the various new and interacting organizations, non-profits, social movements, consultants, and impact investors who are actively seeking to develop the conditions for purpose-driven enterprises to flourish.

Despite some institutional differences between Australia and the United Kingdom, analysis revealed a common set of challenges facing individuals and organizations embedded within purposeful business ecosystems when they intersected with dominant institutions. These challenges and tensions typify ecosystems where there is a lack of hierarchical control and interactions and deliberation occurs between individuals and organizations to establish complementarity (cf. Jacobides et al., 2018). Given the pluralistic interpretations of purpose and its positioning within the objectives and/or motives of business and markets, it is not surprising participants in our study faced a multitude of challenges as they sought to establish complementarity, navigate the multi-dimensional virtues of purpose within various organizational forms, and solidify their stake in the common purpose of social innovation and system change. Indeed, these challenges may be a necessary attribute of the "favorable environment" (Hervieux & Voltan, 2016) supporting social innovation and entrepreneurship.

Following our research question, *what are the perceived types of challenges facing those that actively seek to support social and environmental purpose in businesses?* we find that the challenges identified are located at multiple levels: individual decisions within businesses; within the support and financing environment; and at the wider institutional and policy level.

5.1 | Challenges within business

Starting at the micro-level, interviewees identified important challenges facing business leaders when seeking to combine profit and wider societal/environmental purpose. Being restricted by traditional means of competition and short-term timeframes, businesses may be falling into complacency by not consistently stating and acting on their intended purpose differently from the status quo. There is a risk that even purpose-driven business may not lead to systemic change but rather a continuation of business as usual, as a consequence of operating within a growth-driven economic system (Ehrenfeld & Hoffman, 2013). The purpose-driven business ecosystem members may be offering support but have to face the lack of capabilities of board members, and leaders and other staff without sufficient courage to make changes aligned with their stated purpose. These challenges were also viewed as coming from structural or institutional forces that drive the focus on short-term profit despite wider societal and environmental costs. Individuals within businesses, and particularly those in leadership, can play blocking and enabling roles, but these are often shaped by disincentives to change. Here,

these disincentives are reported to be driven by external actors, such as traditional shareholders seeking short-term profits.

The analysis also shows that the misalignment between profit and purpose can be more of a cognitive issue and based on pre-existing mindsets and thought patterns that can themselves be challenged. The interviewees show the growing interest from leaders wanting to be supported through a rethinking of the roles of businesses, much like the change in thinking and culture called to transform to “sustainability-as-flourishing” (Ehrenfeld & Hoffman, 2013). For instance, Waddock and Kuenkel (2020) emphasize how crafting and communicating purpose leadership is one of six ongoing areas for action to enable large scale systems change.

Those businesses looking to engage in debates about wider purpose may have leaders who are already having an alternative form of understanding but are seeking to change the cognition of their boards and shareholders. They may also be aiming to transform the understanding of their staff with evidence that middle managers may be more entrenched in traditional profit focused mindsets and targets. Systems change leadership is essentially a dialogic process where only the ability to reiterate the connectedness and wholeness for coordinated action across and within organizations is likely to catalyze broader change (Dahlmann & Stubbs, 2023; Waddock & Kuenkel, 2020).

5.2 | Challenges facing those supporting businesses

At the meso-level, the paper shows that challenges are found among the support providers themselves, particularly the power imbalances between financiers and decision makers regarding the viability of “purpose,” and timeframes for realizing beneficial social and environmental outcomes, and hence the supply of investment to purpose-driven businesses. These are key actors who create powerful incentives for both positive change and negative status quo. Another challenge emerges from the diversity of professional service providers advising purpose-driven businesses and the plethora of different evaluation and certification systems that could be potentially diluting the meaning of purpose-driven. Interviewees were critical of those professional service advisory firms that are still profit focused and less likely to challenge poor corporate behavior. It is these profit focused advisers that were trying to give credibility to businesses by presenting their environmental credentials without truly changing their impacts. This was viewed as a form of green wash or what some referred to as “purpose wash.”

At the meso-level, the challenges can also be found to be both structural and cognitive. Financiers are operating within the structural constraints of the finance system that is preoccupied with incentives for short-term profit. They are also found to be creating challenges based on misunderstandings of the variety of bespoke means for achieving and evaluating purpose. These are framed negatively as barriers, rather than competing perspectives being inherently valued because heterogeneity signals a thriving complex, dynamic system (Montuori & Purser, 1996). Similarly, professional service firms face challenges based on structural issues and incentives such as the need to maximize profit for their own stakeholders. The challenges they face can also be seen as cognitive and a lack of capabilities required to be a purposeful professional services provider. This suggests that powerful cognitive barriers towards collaborative transformation persist at meso-level, which together currently hinder progress on systemic social innovation (Fisk et al., 2019).

5.3 | Challenges for changing policy and the institutional environment

At the macro-level, perceived challenges were identified where there is a weak wider policy/institutional environment and lack of support. This can be seen in terms of having a weak regulatory environment, a lack of certainty and gaps in laws and standards, particularly when policy makers and the public sector are not engaged. These challenges can again be viewed as both structural and cognitive. While the current economic system is a major structural factor shaping all levels, the exploratory research in this paper shows that there is also room for policy makers and campaigners to make a difference and drive institutional change with regard to changes in legislation that would legitimize purpose-driven business. This lack of legitimacy and risk of “purpose washing” is greater where social and environmental reporting is not legislated. Both country locations reported the cognitive barrier of the wider business culture being tolerant of unsustainable business practices. While again the challenge of the multiple frameworks and standards raised concern, recent studies have suggested that a lack of centralized coordination could be a strength in emerging earth system governance arrangements (Stubbs et al., 2022).

Through our focus on purpose-driven business, this exploratory paper also has implications for business ecosystem literature. A key weakness of the current use of the concept of ecosystems relates to the process of change and evolution (Alvedalen & Boschma, 2017). Across all research on business ecosystems, there are common questions such as who is involved, how does it operate, and how does it emerge and evolve (Shipilov & Gawer, 2020). We find that understanding ecosystem change needs to examine the challenges being faced at multiple levels.

Much of the business ecosystem literature overemphasizes the role of individual actors with assumptions of a move to equilibrium. There are other assumptions made about the ability of particular actors (often government agencies) to create the ecosystem themselves (Isenberg, 2016). These approaches miss the important dimension of the metaphor concerning the process of change. Overly simplistic models of Darwinian Evolution (survival of the fittest) or Creationism (a benevolent being as the source of all elements) fail to capture the importance of multiple histories, cultures, and institutional settings (Mack & Mayer, 2016). This paper therefore responds to the call by Alvedalen and Boschma (2017) for more research on the processes by which some elements change, new things become accepted and legitimized, and how locations can become favorable places to make such changes.

To understand system change, it is therefore necessary to understand emergence. A focus on the ecosystem itself, its parts and their interactions, and the boundaries of the field is sufficient, but not satisfactory. Ehrenfeld and Hoffman (2013) stress the foundational quality of a flourishing is that it is emergent from the generative workings of the system and the coordinated activities of humans, their culture, and the natural environment. Lichtenstein (2014) outlines emergence as a complex dynamic process whereby novel structures and processes reconstitute systems after experiencing a phase of disequilibrium where the status quo is challenged. Of importance are “critical thresholds,” which comprise actions or events through which a new order emerges. What we observed in this study is exemplary of the challenges and experimentations through which business as usual is being challenged. While the actors expressed their own challenges seeking change within businesses and the supporting systems within which they operate, what is critical is their common expression of “difference,” their intention to recreate markets to be purposeful, that is intentionally being enacted by these intermediaries.

While more extensive empirical research is required to reveal emergence of any new order, their challenges could be seen as illustrative of the disequilibrium preceding a “critical threshold,” such that their agitation is part of the condition for emergence of new motives for business to address grand challenges. Because it is a stated intention to change the purpose of business, then we view this as an ongoing process of meaning making and change. Meaning making as purpose is continuously reconstructed and change noted as the difference in the ways and means of doing business.

6 | CONCLUSION

The ecosystem approach sheds light on the range of actors encouraging the purpose-driven businesses and their social innovations. Our analysis highlights the challenges facing those supporting purpose driven businesses at three levels: the support relationships within businesses, the ecosystem of support providers, and the wider institutional environment. Our paper contributes to understanding the nature of ecosystems related to the transformation of business towards sustainability and flourishing. The ecosystem perspective spotlights the emergence of alternatives from the complexity of multiple actors that are collaborating and competing. The interactions of purposeful businesses and other actors are evidence of an emerging space occurring in-between the traditional tripartite systems of business, civil society, and government. In this blended space, their challenge is to demarcate their difference but also synergies with business, civil society, and government. While alternative business forms are emerging, many are constrained by pressures for business as usual and shareholder maximization.

The study is limited by only studying two cultural contexts, the United Kingdom and Australia. As an exploratory study, the research has identified a wider group of actors that could be included in future research, particularly those making changes to the policy and institutional environment. There are further limitations from data collection in major cities with some regional and subnational differences not explored. Further research is needed to understand how the ecosystems for purpose-driven business may differ because of context, with a particular need for research in the global south. Research is also needed to explore differences within ecosystems with a need for larger samples and a wider range of actors to explore sectoral and regional differences. Finally, further research is needed on the extent to which the support for purpose-driven business is leading to transformational change or simply allowing a continuation of business as usual.

There are a range of practical and policy implications that can be drawn from the findings. At the business level, there is a need to educate current and future business actors about the challenges of driving forward a business with social and environmental purpose. This should include both leaders but also other employees (especially middle managers) and board members. An understanding of the challenges will also allow actors to build the capabilities required to strengthen these ecosystems.

Among support providers, there is a need to build capabilities to understand and encourage purpose-driven business. There is also a need for coordination and collaboration among support providers, which can be challenging when they can be in open competition with each other. Financiers also play a crucial role with impact investing being a vital part of the purposeful business support ecosystem and able to facilitate the social innovations being developed. Investors need to build their capacity to provide finance with social, environmental, and financial returns. This requires more attention to the measurement and reporting of non-financial

impacts. At the macro-scale, there is a need for policy change to create a favorable institutional environment such as legal changes to companies acts and setting standards of impact reporting to avoid concerns of greenwash. By understanding the challenges, tensions, and areas of resistance, those involved in the purpose-driven business ecosystem can build the capabilities needed to tackle the grand challenges facing our world.

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ENDNOTE

¹ <https://www.legislation.gov.uk/ukpga/2006/46/section/172>.

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