

Paying Less and Getting More: Evidence on the Effect of Corporate Purpose from Two Natural Field Experiments

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Abstract : Academics and business leaders increasingly call for a (re)definition of a corporate purpose beyond profit-maximization to contribute to the welfare of society. This study investigates the effect of communicating such a pro-social corporate purpose on three employee-level outcomes that constitute major cost components for most organizations: workers reservation wage, work quality, and work misbehavior. To provide causal evidence, two natural field experiments were conducted with almost 2,000 workers recruited from different online labor marketplaces. Workers were randomly assigned to treatments manipulating whether or not they received information about the employer's corporate purpose and subsequently performed a short, real-effort task for payment. The main findings in both experiments show that receiving information about an employer's pro-social corporate purpose causes workers to accept lower wages (9% lower in the first experiment and 28% lower in the second experiment) for the same job. Workers that personally assess high importance to organizations having a pro-social purpose are most responsive. At the same time, sacrificing wage for a corporate purpose comes at no cost of quality and even decreases the likelihood of engaging in work misbehavior. In a broader context, the results provide some evidence that the (re)definition of corporate purpose in commercial organizations is not ultimately at odds with creating profits.

Keywords : corporate purpose, natural field experiment, reservation wage, work misbehavior, work quality

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