Organizational scholars have long recognized the importance of corporate purpose, defined as a goal beyond profit maximization, meant to galvanize workers in the firm. Increasingly, however, companies are making claims about corporate purpose to external audiences, and we have little understanding how these claims may be perceived. A key question is credibility: under what conditions are these claims believed by audiences? We argue that purpose claims can attract external stakeholders, and that the ambition and future-orientation of these claims makes firm capacity a key source of credibility.

We examine these issues in the labor market context, where employers make claims of corporate purpose in recruitment efforts. In our first study, with job posting and application data from an online job board, we develop a novel measure of purpose claim language and examine its effect on application likelihood. We then examine the moderating effect of firm size, as a proxy for capacity. We find that high purpose job posts receive approximately 52% more applications than low purpose job posts when the firm has more than 1,000 employees, but only receive a 13% increase when the firm has fewer than 50 employees. In a second study, we use an online experiment to test whether differences in firm size are interpreted as differing degrees of capacity to realize purpose claims, and whether these different perceptions of capacity impact application likelihood. Our results confirm that perceptions of capacity help to explain the relationship between corporate purpose claims, firm size, and job attraction.

Key words: corporate purpose, credibility, labor market, authenticity, social impact

1. Introduction

With growing concerns about the social welfare consequences of corporate activity, the idea of corporate purpose, understood as “a concrete goal or objective for the firm that reaches beyond profit maximization” (Henderson and Van den Steen 2015, p. 327), has received growing interest (George et al. 2021, Henderson
2020). In the related field of corporate social responsibility, scholars are similarly considering how social responsibility may not only entail “peripheral” firm activities like volunteering and recycling programs, but may also be “embedded” in a firm’s goals, strategy, and identity (Aguinis and Glavas 2013). Corporate purpose has long been understood as an articulation of “strategic ambition” (Bartlett and Ghoshal 1994, p. 84) that can motivate stakeholders by giving them a sense that their efforts can have a positive impact on others. And, recently, industry accounts suggest that various stakeholders do value corporate purpose. A widely circulated 2019 Business Roundtable statement, signed by 181 Fortune 500 CEOs, affirmed that businesses should seek to advance the interests of multiple stakeholders, in addition to investors (Business Roundtable 2019). Similar enthusiasm for corporate purpose has been noted in industry-based assessments of employees (McKinsey 2020), investors (Saribas and Dubois 2020), and consumers (Novelli/Cone 2021).

Statements of corporate purpose hold the promise of attracting valuable stakeholders, e.g., employees, investors, consumers, who see the company as more than merely a set of revenue-generating assets and find value in the broader societal benefit to which the firm claims to aspire. Within the emergent empirical literature on the topic, research has examined the effect of employee internalization of corporate purpose (Gartenberg et al. 2019, Bhattacharya et al. 2022). However, those scholars have been generally skeptical of the effect of corporate purpose claims, alone, and have not considered the effects of these claims on other external stakeholders. There is also a substantial literature on consumer (Du et al. 2007), employee (Jones et al. 2014), and investor (Flammer 2013) responses to social responsibility practices, but these studies have focused on discrete socially responsible practices, and not the expression of corporate purpose as central to a firm’s core goals and identity (Aguinis and Glavas 2013). Such presentations of social impact as practice do not explicitly communicate social impact as the firm’s “raison d’être” in the manner that corporate purpose does. So, how do claims of corporate purpose impact the attraction of external stakeholders? In this paper, we explore this question in the context of the external labor market and corporate purpose claims in recruiting materials.

To understand whether and when corporate purpose claims attract external stakeholders, credibility is a central concern. There is ample skepticism about claims of corporate purpose (Davis 2021, Gartenberg et al. 2019). Corporate purpose claims are only claims and, to have an effect, they must be viewed as credible by the audience in question (Durand and Gouvard 2021). Given the popularity of corporate purpose and the low cost of talking about it, firms may well publicize corporate purpose as a “vacuous marketing slogan” (Kershaw and Schuster 2022, p. 4). Firms may engage in “cheap talk” (Gartenberg et al. 2019, p. 1): making claims about corporate purpose that have little connection to their actual behaviors and priorities in order to benefit from the reputational effects without incurring the costs of implementation. So, what gives credibility to claims of corporate purpose?
To date, much of the discussion of corporate purpose claim credibility, and social impact claim credibility more generally, has emphasized the importance of trustworthiness and attributed motives. These ideas underlie the characterization of some corporate purpose claims as cheap talk (ibid), scholarly attention to “distrust” among those receiving corporate purpose messages (Rim and Kim 2016, p. 248), and concerns about “self-interested motives” underlying claims of corporate purpose (Jones et al. 2016, p. 4; see also Abraham and Burbano 2022). However, the credibility of a claim comes not only from its perceived trustworthiness, but also from the perceived capacity of the actor to realize the claim (Hovland et al. 1953). And for corporate purpose claims, capacity may be a particularly important source of credibility. First, since corporate purpose claims are statements about the core activities of a firm, the capacity or resources that the firm has at its disposal may serve as a proof of concept suggesting that it is able to achieve desired goals. Second, because purpose claims are future-oriented, the current capacity for future behavior becomes a salient source of credibility. Third, given the inherent ambitiousness or difficulty of corporate purpose claims, capacity becomes a key indicator of a firm’s likelihood to realize such claims. In this paper, we do not argue that trustworthiness is not relevant to the credibility of corporate purpose claims, but that capacity is likely to be a key source of credibility; potentially even influencing perceptions of trustworthiness and motives.

To test these arguments, we examine the labor market setting and the use of corporate purpose claims in recruiting materials—specifically, job postings. Theoretically, job seekers are a good context to study because they are prototypical of an external, relatively uninformed stakeholder. While internal stakeholders, like current employees or even some suppliers, may have substantial private information about the firm’s practices with which to make an assessment of the credibility of a corporate purpose claim, many relevant stakeholders, like consumers, job seekers, and investors, may have far less private information. At the early stages of job search, individuals have relatively limited information about potential employers. Moreover, recent academic scholarship in social responsibility and the labor market has called for a better understanding of the conditions under which social responsibility language is not viewed credibly in recruitment efforts (Jones et al. 2016). Practically, as the recently tightened United States labor market makes clear, the ability to recruit candidates is of great importance to firms. Moreover, recent industry research suggests that corporate purpose claims are particularly appealing to younger workers (Deloitte 2021), and that the recent global pandemic has heightened job seekers’ preference for a sense of purpose in their work (Dhingra et al. 2021).

Our primary source of data is an online job portal of a large private U.S. university, where thousands of external employers post jobs and students submit applications. One challenge for our study is that scholars have not developed a common measure of corporate purpose claims, given the wide range of particular purposes that a firm could claim to pursue. Following on the encouragement of George et al. (2021), we
employ a machine learning-based text analysis methodology, commonly called ‘topic modeling’, to develop a novel measure of corporate purpose claims that applies across industries and job types. We also validate our textual measure with on an out-of-sample online study. Next, with the same dataset, we use this measure to test our hypotheses about the effects of corporate purpose claims on job seekers’ attraction. Across a range of estimation approaches, we find consistent evidence that the use of purpose language increases job applications and is positively moderated by firm capacity, which we approximate with firm size. This result holds even when controlling for external indicators of companies’ social and environmental reputation (e.g., third party rankings and evaluations).

Then, in our second study, we use an experimental design to corroborate whether perceptions of capacity help to explain the firm-size effect observed in our field results. This is important, as it is possible that size could evoke other associations among job seekers; some research on firm size suggests that large firms are more visible and therefore subject to greater scrutiny than smaller firms (Josefy et al. 2015, Hillman et al. 2004), such that they may be viewed as more trustworthy. By contrast, literature on firm stereotypes has indicated that firms that are more corporatized might not be trusted as much (Hahl and Ha 2020, Frake 2016). We discuss the relationship between size and lack of trust in the theory and discussion sections below. To disentangle whether the positive moderating effect of firm size results from perceptions of capacity or perceptions of trustworthiness, we conduct a vignette experiment to test these two competing mechanisms. In our results, we observe no direct impact of size on trustworthiness, either positive or negative. However, through the capacity pathway, our results show a significant indirect effect, where size influences perceived capacity to carry out the corporate purpose claim, which then positively influences job applications.

Our paper makes several key contributions. First, we advance the concept of capability-based credibility in corporate purpose research, and in the literatures on social impact claims and claim authenticity more broadly, as these fields have historically placed greater emphasis on trustworthiness and motives as credibility sources. Second, for labor market scholars, we demonstrate the conditions under which communicating corporate purpose can help firms attract workers. Thirdly, we develop a novel textual measure of corporate purpose claims that can be applied across firm and industry contexts.

2. Theoretical Development: Corporate Purpose Claims and External Stakeholders

While popular interest in the topic has expanded drastically in recent years, the study of corporate purpose, understood as a “goal or objective for the firm that reaches beyond profit maximization” (Henderson and Van den Steen 2015, p. 327) has a long lineage in academic scholarship. The study of corporate purpose originated in scholarship seeking to understand how organizations were able to facilitate coordination and cooperation among workers more effectively than market mechanisms (Selznick 1948, Barnard 1938; for intellectual history, see Gartenberg 2022). They understood corporate purpose as a set of goals and objectives
that provided workers a common “strategic ambition” (Bartlett and Ghoshal 1994, p. 82), to both motivate and provide “the compass direction for coordinated behavior” (Gartenberg 2022, p. 5). And, in large part, the job of advancing corporate purpose fell on managers and leadership, who were tasked to articulate, define, and encourage its proliferation in the organization (Barnard 1938). In the past 30 years, however, consideration of corporate purpose has expanded beyond its galvanizing effects on current workers. Among external stakeholders, like investors, consumers, and job seekers, the idea of corporate purpose has received increased attention, given growing concerns about shareholder wealth maximization, the societal costs of business organization, and a desire for firms to advance social welfare (Mayer 2021, Henderson 2020, Hollensbe et al. 2014). These concerns have been amplified in public commitments to corporate purpose by prominent executives (Business Roundtable 2019) and in popular press writings on topics like “caring capitalism” (Barman 2016), “conscious capitalism” (Mackey and Sisodia 2013), and “shared value” (Porter and Kramer 2019). And industry surveys suggest that this emphasis on corporate purpose is resonating with external stakeholders. In a 2019 multi-country survey of job seekers by Glassdoor, 73% of respondents stated that they would not apply for a job unless its values aligned with their own personal values and 79% of respondents reported that they consider a company’s mission and purpose before applying for a job (Harris/Glassdoor 2019).

Despite this widespread interest and its long academic lineage, we have relatively little empirical research on the effects of corporate purpose, broadly, and particularly among external stakeholders like job seekers. Some important recent scholarship has offered evidence that, when managers deeply internalize a sense of corporate purpose, this can lead to beneficial financial performance (Gartenberg et al. 2019). Yet, this is inside of the firm and this study does not measure claims of corporate purpose but employee commitment to a given corporate purpose. As a recent review article suggests, it is important to “demarcate between the framing and formalizing of purpose and its realization... to ensure that we do not infer purpose based on its outcome.” (George et al. 2021, p. 16). This distinction is particularly important for external stakeholders, who have less insight on whether a firm is realizing its stated corporate purpose. For external stakeholders, in most cases, corporate purpose is only a claim. As an articulation of a “goal or objective” (Henderson and Van den Steen 2015, p. 327), corporate purpose is fundamentally expressed through language. Companies present corporate purpose claims to external audiences through a range of avenues, from corporate mission statements, to company websites, annual shareholder reports, advertising materials, and worker recruitment materials like job postings (George et al. 2021). And, as Durand and Gouvard (2021) emphasize, the effectiveness of corporate purpose claims depends on how they are received by a given audience. To date, we have limited understanding of the effects of corporate purpose claims on external audiences.

A related body of literature, on corporate social responsibility (CSR), has deeply examined how such practices are received by audiences. Scholars have examined how claims of CSR can attract consumers
Valdés et al.: Purpose Claims and Capacity-Based Credibility

(Buell and Kalkanci 2021, Du et al. 2007) and increase the attraction of job seekers (Burbano 2016, Jones et al. 2014, Rupp et al. 2013, Turban and Greening 1997). Yet, corporate purpose and CSR claims, while linked, have important distinctions. The implementation of CSR practices can be understood as a measure of the effects of corporate purpose (Gartenberg 2022). Moreover, CSR claims also tend to focus on, and have been measured as, the claims about adoption of discrete practices and policies, like corporate philanthropy (Burbano 2016), community engagement (Jones et al. 2014), or employee volunteering (Carnahan et al. 2017), while corporate purpose claims entail a broader commitment to the pursuit of alternative goals beyond profit maximization. In the CSR literature, some scholars have begun to recognize this distinction, noting how CSR has been traditionally understood as discrete policy but is increasingly “integrated within an organization’s strategy” (Aguinis and Glavas 2019, 2013, p. 1068). And these distinctions, particularly between discrete policy and broad goals, are likely to shape their degree of attractiveness and what gives these claims credibility. Finally, even within the broad CSR and labor market literatures, the question of when a CSR claim may not be perceived as credible by job seekers remains understudied (Jones et al. 2016).

Ultimately, corporate purpose claims have a number of defining features that are likely to shape how they are evaluated by, and potentially attract, external stakeholders. First, as the prior paragraph began to elaborate, corporate purpose claims are statements about the core activity and identity of the organization. They are not characterizations of secondary or peripheral activities, but characterize the raison d’être of the organization. Second, corporate purpose claims are future-oriented. They involve an expression of “a clearly articulated, well-defined ambition” (Bartlett and Ghoshal 1994, p. 82). In other words, corporate purpose claims involve the articulation of a goal; a set of objectives that have the potential to motivate and guide the behavior of a stakeholder. Third, claims of corporate purpose entail the pursuit of a difficult set of objectives. In other words, they have an “aspirational nature” (George et al. 2021, p. 5). Since early studies of the role of corporate purpose within firms, scholars have recognized that they are meant to inspire stakeholders (Barnard 1938). Difficulty is a defining feature of corporate purpose claims because, as research in goal setting has repeatedly found (Locke et al. 1981), greater goal difficulty drives greater motivation and investments of effort. Fourth, claims of corporate purpose involve the articulation of beneficiaries beyond investors. A corporate purpose claim articulates “what value it seeks to create for its stakeholders” (George et al. 2021, p. 7), whether the beneficiary is an outside community, the firm’s workforce, its consumers, or broader society. This promise of beneficiary impact is central to the attractiveness of corporate purpose claims for external stakeholders because the promise of impact can generate anticipated meaningfulness. In job design research, a key source of meaningfulness is task significance; the degree to which a job is perceived to have “a substantial impact on the lives or work of other people” (Hackman and Oldham 1976, p. 258). Sources of meaningfulness come from internal sources, like resonance with one’s identity, but they
can also come from external sources, like social impact (Rosso et al. 2010). In short, corporate purpose claims have the potential to attract stakeholders by generating a sense of meaningfulness based on their impact on others.

Even if corporate purpose claims have the potential to attract stakeholders, whether they do so will necessarily depend on how they are received. Work on organizational missions and worker motivation has suggested that they have an impact to the degree that “workers perceive congruence between their core values and ideologies and those of their organizations” (Rosso et al. 2010, p. 104) and some recent conceptual work on corporate purpose argues that the perceived importance of a particular claim for a particular audience will determine its impact (Durand and Gouvard 2021). Such a view allows one to examine the effect of particular purpose claims for particular subsets of audiences. However, if we are interested in how claims of corporate purpose, generally, impact stakeholder attraction, a set of broader enabling conditions may be particularly important. Moreover, even if a corporate purpose claim resonates with a stakeholder’s values, a stakeholder is unlikely to be attracted by such a claim if they do not find it believable.

Recognized as early as Aristotle’s writings on rhetoric (Cope and Sandys 2010), in addition to the emotional or ethical appeal of a claim, its persuasiveness is likely to depend on the credibility of the claim and claimant. Foundational empirical work on persuasion and credibility found two key sources: truthfulness and capacity (Hovland et al. 1953; for review, see Pornpitakpan 2004). Truthfulness is the degree to which a claimant is perceived to be making a claim that is consistent with their underlying behaviors and motives. In recent writing on corporate purpose, scholars have emphasized this dimension of credibility. Given the popular appeal of corporate purpose, scholars have highlighted the possibility that corporate purpose claims often serve as “cheap talk” (Gartenberg et al. 2019, p. 1) or are only a “vacuous marketing slogan” (Kershaw and Schuster 2022, p. 4), implicitly, divorced from the underlying behavior or motives of the firm. Similarly, Henderson and Van den Steen (2015) argue that the galvanizing benefits of corporate purpose depend on firms making “costly commitments” (ibid, p. 330) to signal that they are willing to compromise financial gain for the advancement of non-financial goals. In related recent work on social impact claim credibility, scholars have emphasized credibility sources that signal that a firm is "acting on its stated commitments" (Abraham and Burbano 2022, p. 397). Such a view is also consistent with recent work on authenticity, which highlights how an audience will tend to deem an actor as less authentic - less likely to trust its claims - when a firm is perceived as being driven by for-profit motives (Carroll and Swaminathan 2000, Hahl and Ha 2020) and/or extrinsic incentives (Hahl 2016, Hahl and Zuckerman 2014).

There is also reason, however, to consider the potential importance of capacity as a source of corporate purpose claim credibility. Variously titled “expertise” (Hovland et al. 1953), “competence” (Lieberman 1983), or “ability” (Mayer et al. 1995), the construct captures the perception that a company has the functional
resources, material, and knowledge, to realize the claim they are making. We adopt the term capacity, as it reflects the breadth of functional resources that may allow a firm to demonstrate its ability to realize a claim. Though absent from writing on the credibility of corporate purpose, some CSR scholarship has acknowledged the possibility that capacity perceptions may shape consumer impressions of such claims (e.g., Rim and Kim 2016, Alcañiz et al. 2010). We assert that, given the difficulty and future-orientation of corporate purpose claims, capacity may be a key source of credibility for this type of claim. We elaborate this hypothesis below.

3. Hypothesis Development: Job Seekers and Attraction to Corporate Purpose Claims

In this paper, we focus on job seekers and their reactions to job recruitment materials, as a setting in which to examine how external stakeholders respond to corporate purpose claims. The ability to attract workers is a key concern for firms, and popular surveys suggest that corporate purpose may matter. This appeal is particularly strong among younger generations of job seekers. In a 2021 Deloitte global survey, 44% of Millennials and 49% of Gen Zs reported that they made choices about their careers or employers based on their personal ethics (Deloitte 2021). Prior scholarship has shown that discrete CSR practices, like corporate philanthropy, sustainability programs, and community involvement can be attractive to job seekers (Burbano 2016, Jones et al. 2014, Gully et al. 2013). However, we have little understanding of the effect of corporate purpose claims on job seekers and, as we explore before, the unique features of corporate purpose have consequences for the dynamics of job seeker attraction, in particular, what gives these claims credibility.

The relationship between corporate purpose claims and job seeker attraction can be understood through their potential to generate a sense of meaningfulness, defined as “the amount of perceived or felt significance something holds for an individual” (Rosso et al. 2010, p. 95). While meaningfulness can result from internally-oriented feelings, like self-efficacy and affirmation of one’s identity, a sense of meaningfulness can also result from external dimensions; i.e. the perceived impact that an activity has on others (ibid). Purpose is closely tied to the construct of task significance, which is the “judgement that one’s job has a positive impact on other people” (Grant 2008, p. 108). And research on task significance highlights how its psychological effects are largely driven by workers “experiencing their jobs as more strongly related to other people through heightened perceptions of social impact and social worth” (ibid, p. 119) Thus, the effects of purpose are grounded in its impact on and connection with others through the pursuit of goals and realization of ideals. Others have linked the realization of corporate purpose to an experience of meaningfulness, suggesting that this is a key way that purpose motivates workers (Gartenberg et al. 2019, Henderson and Van den Steen 2015, Bartlett and Ghoshal 1994), but this literature has not previously linked corporate purpose claims to the anticipation of meaningfulness through task significance.
The effects of purpose on worker behavior have been most commonly studied among workers already in jobs, where differences in the degree of experienced purpose impacts job performance (Grant 2008) or job commitment (Bunderson and Thompson 2009). Yet, there is reason to think a company’s claims of corporate purpose may impact worker preferences for a job even before they enter it. Corporate purpose claims make reference to the core activities of the organization, and not peripheral programs or policies. As a result, regardless of the particular job, workers may anticipate that their work will have some connection to the pursuit of this broader purpose. Relatedly, because corporate purpose claims entail an expression of goals and ambitions, they may see acceptance of a given job as participation in the pursuit of a meaningful goal. If “the pursuit of valued goals . . . may itself foster a sense of purpose” (Pratt and Ashforth 2003, p. 311), then workers may be attracted to a job that emphasizes the opportunity to pursue valued goals. Promises of purpose may shape job attraction, even before workers enter firms, because purpose is more an expression of abstract values and ideals, than a concrete set of practices and experiences. For this reason, statements of corporate mission can generate a sense of purpose in workers (Pratt 2000, Grant and Sumanth 2009), which should shape their attraction to a job. In the tradition of research on psychological contracts, purpose claims to potential employees may be understood as the promise of an “ideological reward”, generating “employee beliefs that the organization is obligated to demonstrate a credible commitment to and investment in a valued cause or principle” (Thompson and Bunderson 2003, p. 574). Given the future oriented nature of purpose claims, the potential benefit job candidates can glean from engaging in such purposeful work, and the potential that employees may see these claims as obligations the firm must fulfill if they ultimately take a job, we anticipate that:

**Hypothesis 1.** There is a positive relationship between the amount of purpose language used in a job posting, and the number of applications that the job receives.

Because the presentation of corporate purpose to job seekers is inevitably a claim, its effect will depend on its persuasiveness; how the claim is received (Hovland et al. 1953). Whether or not a purpose claim appears meaningful in the eyes of job seekers depends on whether the company is perceived as credible (Durand and Gouvard 2021). As introduced earlier, a long tradition in persuasion research points to two broad sources of claim credibility: motive and capacity. Given the prevalent assumption, across various literatures related to corporate purpose, that firms hold baseline profit-seeking motives and that these motives are in tension with corporate purpose claims, it is not surprising that many scholars have focused on trustworthiness as a source of credibility (Henderson and Van den Steen 2015, Gartenberg et al. 2019). Yet, turning back to the foundational work by Hovland et al. (1953), trustworthiness is only one of two distinct sources of credibility. Capacity captures the perception that a company has the functional resources, material, and knowledge to realize the claim they are making, and we anticipate that this will be a key source of credibility for corporate purpose claims in the labor market.
Broadly, even if a firm is perceived to be pursuing corporate purpose based on authentic motives, the claim may be less persuasive to stakeholders because the focal firm is perceived as unable to realize the goal. More precisely, our earlier discussion of the defining features of corporate purpose claims points to several key features that make capacity a likely source of credibility. First, corporate purpose claims do not make reference to a peripheral activity or practice, but speak to the core activities and identity of an organization (Aguinis and Glavas 2019, 2013). As such, we may anticipate that the broad resources available to the organization may inform an evaluator’s perception of the likelihood that a corporate purpose claim may be realized. Relatedly, some scholars have understood the pursuit of corporate purpose as an activity whose effectiveness requires “slack resources” (Waddock and Graves 1997, p. 306; for review, see Lin et al. 2019). In other words, firms are more likely to pursue and realize corporate purpose once they have achieved the necessary financial stability to direct their focus to goals beyond profit seeking. External stakeholders like job seekers may be compelled by this logic; that a firm with financial stability is more likely to credibly pursue corporate purpose.

Second, the presentation of corporate purpose claims as ambitious or difficult goals heightens the salience of capacity perceptions. In research on goal setting, perceptions of ability and self-efficacy increase the likelihood of goal adoption (Locke et al. 1981) and, ultimately, task performance (Phillips and Gully 1997), and we may anticipate a similar dynamic in the evaluation of goals presented by others. Perceptions of capacity in firms publicizing corporate purpose goals may increase the evaluator’s confidence that the observed firm will be able to realize the goal. This increased confidence may increase their motivation to invest in the observed firm; in this case, through their expression of interest in a job at the firm. In summary, ambitious and difficult-to-achieve goals draw attention to the claimant’s capacity to follow through. For these reasons, we anticipate that:

**Hypothesis 2.** The relationship between corporate purpose language and application likelihood is moderated by perceptions of firm capacity. As a result, firms with lower perceived capacity benefit less from purpose language than firms with higher perceived capacity.

It is important to note that, by placing emphasis on capacity as a driver of corporate purpose claim credibility, we are not suggesting that perceived truthfulness is irrelevant. In fact, it may be the case that perceptions of capacity are complementary with perceptions of truthfulness, with respect to corporate purpose claims. However, the literature is largely silent on the relationship between capacity and trustworthiness, so we leave it as an open question that we briefly explore at the end of the present study.

4. **Study 1: Corporate Purpose Language in the Field**

In our first study, we empirically investigate our hypotheses using a dataset of job descriptions and applications from a U.S. university’s job board. In this section, we first introduce the archival dataset. Then, we
describe the methodology—topic modeling—that we use to identify and measure the strength of purpose language in job descriptions. Finally, using this measure as our main independent variable, we study whether purpose language is positively related to the number of applications that a job receives (Hypothesis 1), and whether this effect is moderated by firm capacity (Hypothesis 2).

4.1. Dataset

We collect data from all jobs that were posted on the job board of a large research university in the U.S. during the 2017–2018 academic year, as well as the applications that each job received. This job board is a platform that facilitates dissemination of postings by external employers and application by students. Thus, applications are effectively cost-free for applicants (except for in the case of writing a unique cover letter). Such a dataset is particularly valuable as it provides the opportunity to observe the revealed preferences of job seekers through their evaluation of a large heterogeneous sample of job postings and employers.

For each job, the dataset includes the text that the hiring firm used to describe it, hereafter referred to as job posting. In addition, we have information about: the number of employees of the hiring firm; its industry; the job function (e.g., data and analytics, finance, etc.); the range of dates when each job was open to applicants; location information; and job type (e.g., full-time, part-time, or internship). After data cleaning and pre-processing, we are left with 20,281 jobs from 5,143 unique employers (see Appendix O.1 for further details; all appendices are available in the online companion). These job descriptions are the basis of our data-driven approach to identify how corporate purpose is communicated in the field (see §4.2).

Regarding applications, our dataset includes the total number that each job received, the date of each application, and key characteristics of each applicant. These characteristics include the applicant’s degree, year, and citizenship status. In our analyses, we only consider applications made by last-year undergraduate (i.e., seniors) and masters students with US citizenship. We restrict our attention to these students because, compared to younger applicants, their applications are more likely to be for the post-college labor market. Thus, they are more compelled to read and respond to information contained in the job postings and, more importantly, they better represent our universe of interest (both in terms of jobs and applicants). Similarly, we use applications made by US citizens to reduce noise and bias associated with issues surrounding visas and work arrangements that may not be independent from firm size.

4.2. Topic Modeling: Identifying Corporate Purpose Language

Topic modeling is a natural language processing tool that seeks to reverse engineer an abstracted and hypothetical process through which a set of authors might have generated a collection of documents, typically referred to as a corpus. Through statistical modeling of word co-occurrence in documents and iterative sampling, topic modeling (1) transforms the corpus into a set of \( K \) latent topics, each comprised of words and
their corresponding importance within the topic and (2) generates a posterior probability for each document regarding the proportion of that document constituted by each topic. Essentially, topic modeling yields insights into the thematic dimensions of a corpus (regardless of how consciously or subconsciously held those dimensions are by the corpus authors). This methodology has been heralded for both its theoretical and empirical merits (for a review, see Hannigan et al. 2019).

In our study, we leverage this technique to help uncover how corporate purpose is presented in job postings. In particular, we use the set of job postings described in §4.1 to create the corpus, with each posting corresponding to a document. Below we present (1) how we implement topic modeling to settle on a specific model, (2) why we believe our focal topic represents latent corporate purpose language, and (3) the validity of our selection to an independent panel of online, non-expert participants.

Method. The primary input for topic modeling is the corpus. This is typically in the form of a document-term matrix, where individual documents are stripped of their linguistic style and readability in service of creating a computational input. Thus, we first prepare the corpus such that particular symbols (e.g., punctuation, capitalization), structures (e.g., sentences and paragraphs and sections), and extraneous words are removed from each job posting. Please see Appendix O.1 for more details on corpus cleaning.

Next, topic modeling requires that we specify the number of topics to be generated. This is more art than science and generally is considered germane to the domain of the corpus (Hannigan et al. 2019). For our purposes, we generate 20, 30, 40, 50, 60, 70, and 80-topic models. Based on these models, we (i) confirm that our topic of interest is not merely an artifact of our specific selection for the number of topics (\(K\)), and (ii) select \(K = 70\) for our subsequent analyses. We choose this number of topics to balance conceptual and semantic relevance of the topical dimensions (DiMaggio et al. 2013).  

Finally, our topic modeling analysis generates two key outputs: (1) a collection of “topics”, i.e., a distribution of words representing the likelihood that a given word is selected conditional on a given topic; and (2) document-topic distributions, i.e., the percentage of language in a given document that corresponds to each topic. To obtain these topics, we use Latent Dirichlet Allocation (LDA) and Gibbs sampling to model the co-occurrence of words in our job postings. The distribution of words over topics is used to validate the topic model on its conceptual merits. We present topic-term lists ordered by relevance (Sievert and Shirley 2014) in contrast to some approaches which merely present words in descending frequency. Please see

---

1 We also confirm that our results remain qualitatively similar when we conduct our analyses with the topic that best captures purpose language using a model with a larger (\(K = 80\)) or smaller (\(K = 50\)) number of topics.

2 Default topic-term distributions are presented as an ordered list, where ordering is determined from frequency that a word is assigned to the focal topic in the corpus. Relevance is a metric that is a weighted sum of log(lift) and log(frequency) (see, e.g., Bischof and Airoldi 2012, Taddy 2012). Lift provides a penalty for words that may occur frequently across multiple topics. Thus, imposing such a penalty offers the researcher a more focal view of the topic of interest. The researcher must specify the weighting between log(frequency) and log(lift), a parameter called lambda. We choose to weight these two 60:40 as advocated by Sievert and Shirley (2014). It is important to note that this choice (i.e., to reorient topic lists and specify ordering mechanism) has no bearing on the topical distributions for documents for which our analysis is concerned.
Appendix O.2 for a list of the top-5 words associated with each of our 70 topics. The distribution of topics for each document affords operationalization of topics for all documents, as each document-topic score represents the proportion of a job posting’s content dedicated to that particular topic.

**Interpretation of Topics.** Multiple members of the research team read through the topics, examining both (i) the most relevant words assigned to each topic and (ii) job postings with particularly high values of a given topic (hereafter referred to as exemplars). Independently, we each sought out topics that captured the pursuit of goals beyond profit maximization, and discussed our interpretations. Ultimately, across the different models that we considered (i.e., regardless of whether we selected a total of 20, 30...70, 80 topics), we identified topics that we believed most closely captured a ‘corporate purpose’ sentiment, with words like “difference”, “impact”, “solve”, and “challenges”. In our final 70-topic model, Topic 6 and Topic 34 are the two topics that most closely capture this sentiment. Table 1 presents a sample of each topic’s most relevant words and exemplar job postings. In models with a smaller number of topics, these words would collapse into a single topic. However, we see an important distinction between these two topics. First, Topic 34 focuses on the prospective applicant’s experience of purpose on the job: with its use of words like “your”, “career”, and “meaningful’, this topic captures claims that the job seeker will perceive the job as meaningful. Topic 6, by contrast, focuses on describing how purpose is embedded in the company and/or job. Moreover, it constitutes a purer articulation of a claim of corporate purpose, as it entails a number of the distinguishing features of purpose claims mentioned in §2. Using words like “people”, “impact”, and “help”, Topic 6 describes the job’s impact on others (i.e., beyond the job seeker / focal actor). The language in this topic is also future-oriented, explicitly using the term “future”, but also talking about “challenges” that are implicitly not yet solved. Finally, through the use of terms like “innovation”, “leading”, “global”, and “world”, Topic 6 emphasizes ambitious, aspirational goals, not easily attainable. Thus, since our goal is to identify a measure of corporate purpose claims—rather than a claim that workers will perceive the job as meaningful—we hereafter focus on Topic 6 as our main topic of interest. It is worth noting, however, that the main results from our empirical analyses in §4 continue to hold when we consider corporate purpose as conveyed by both Topic 6 and Topic 34 (either separately or based on the sum of the two).

For completeness, we also looked for topics that could convey the pursuit of social and environmental responsibility (SER) policies on the part of the hiring firms. It is important to identify whether any such topics exist in our data because (i) firms that use corporate purpose in their job postings may also use SER language, and (ii) as a result, we may need to control for the latter to correctly isolate and measure the effect of purpose language on job applications. Specifically, we searched for topics that referenced particular stakeholders, like “community” or “environment”, or particular policies like “volunteer”, “donate”, “charity”, and “recycle”. However, the only cases where we identified such language were in topics that made reference to specific
industries. For example, Topic 42 uses terms like “community” and “wellness”, but it uses language that refers to an industry providing community health services (e.g., “health” is its most relevant term). Similarly, Topic 63 uses terms like “renewable”, “carbon”, and “solar”, but captures language referring to the renewable energy industry (its more relevant terms are “energy”, “power”, “gas”, and “fuel”). However, to our surprise, we did not find a topic or set of topics that captured SER language more broadly, beyond a specific industry. This suggests that, in our dataset, firms communicate about the positive impacts of their mission and activities via purpose language, rather than via the description of discrete SER policies. A complete table with the most relevant words for each of the 70 topics in our final model can be found in Table O.3 in Appendix O.2.

**External Validation of Topic 6.** While our own interpretation of Topic 6, based on the prior literature review, suggests that it captures corporate purpose claims, we also sought to externally validate this interpretation. Towards that end, we ask a panel of online participants to evaluate job postings according to different measures of corporate purpose.

From the corpus, we select pairs of job postings that minimize differences on all relevant observable features and maximize difference on Topic 6. These pairs are in the same industry, same occupational category, have the same size, have a minimal word count difference, score similarly on Jensen-Shannon Divergence (a distance measure for probability distributions) for non-Topic 6 distributions, and have maximum difference on Topic 6. Filtering for pairs with a word count difference under 50 words and Topic 6 levels in the low-purpose baseline below 1% of total language, we are left with four pairs. We remove one pair from consideration because the word counts are extremely low, and further remove two pairs because they describe highly specialized job responsibilities that, we worry, could bias our results. This leaves us with one pair, which we use in the validation study and is presented in Table 2. For both postings, we remove location, firm size, candidate requirements, and salary data from the job postings, and assign fictitious company names.
Table 2: Matched High and Low Topic 6 Exemplars Used in External Validation Study

<table>
<thead>
<tr>
<th>Unity (High Topic 6 Posting)</th>
<th>Pinnacle (Low Topic 6 Posting)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Technology Development Position at Unity Healthcare</strong></td>
<td><strong>Information Services Division Rotation at Pinnacle Healthcare</strong></td>
</tr>
<tr>
<td>You’re about to take the next big step. We’re about to create the next incredible solution. If you want to accelerate your learning in a technology environment that’s always pushing the envelope, you’ve come to the right place. The technology team at Unity, part of Central Health Group’s thriving family of businesses, is a team of 12,000 people who are passionate about making a difference by using technology to help improve the lives of millions and make health care work better for all. You’ll be placed into one of several roles within our key business areas: project analyst, business/systems analyst, data scientist or software developer/engineer. You’ll be exposed to any number of fascinating projects while you benefit from formal educational sessions and close collaboration with experienced professionals, mentors, and technology leaders. As exciting as it may be, this kind of opportunity also presents unique challenges. You’ll need to keep up with constantly evolving systems and technology tools. You’ll need to embrace our commitment to an agile and collaborative culture that drives our software solutions. You’ll need to work in a disciplined approach to software and processes that helps us protect the health care data of millions of patients. Join our elite team of technology professionals who are now deeply engaged in determining how we can use innovation to drive performance across the health system. Apply today. Find out how Unity’s technology development program can lead to your life’s best work.</td>
<td>Through the information services division rotation (ISDR) program with Pinnacle, you will have the chance to explore a wide range of information technology related opportunities from both a technical and a project management perspective. The ISDR program is a two-year development program meant to jump start your career in information services. Throughout the two years, you will experience four six-month rotations. These rotations span across all divisions of Pinnacle including: corporate services, health services (hospital and physician), and insurance services. Each rotation will also work to improve your skill set in a variety of different areas, such as systems and data management, infrastructure, health information management, project management, coding and testing, security, architecture, and voice and data communication. This position is a full-time salaried position at Pinnacle (and eligible for all the fantastic Pinnacle employee benefits). This program gives participants an opportunity for an accelerated learning experience within one of the largest employers in Ohio. You will have the opportunity to network with high-level executives, develop valuable skills throughout all areas of information services, and build lasting connections within Pinnacle. Upon completion of the program, graduates are highly sought after for complex roles across the organization.</td>
</tr>
</tbody>
</table>

The main challenge of this exercise, as mentioned earlier, is that there is no agreed-upon, validated measure of corporate purpose. Thus, we use three sets of measures. We use the first two because they are used in previous studies of purposeful work in the labor market, from Gartenberg et al. (2019) and Burbano et al. (2020) (hereafter referred to as GA and BA, respectively). These measures, however, aim to capture the degree to which a current employee experiences a sense of purpose (through perceived meaningfulness) on the job. In other words, these measures better approximate the language in Topic 34 than our focal Topic 6. For example, one of the BA measures asks whether a worker “would feel useful to society”. Similarly, the GA measures ask respondents whether “this work has special meaning”, “I am likely to feel a sense of pride in my work”, and “I will feel good about the way I contribute to the community”. Note how these measures uses the "I" pronoun to focus attention on the experience of the worker. We also note that these two measures have not been validated.

We use a third measure to attempt to capture a version of a purpose claim that is more focused on the characteristics of the job and work, and not the experience of the worker. We are particularly interested in a measure capturing the extent to which the job itself may be understood as purposeful; in other words,
the degree to which the job involves the pursuit of goals that impact stakeholders beyond investors (George et al. 2021). Therefore, we also include a validated scale of a construct that more closely approximates our intended concept, and hence may be helpful in evaluating the extent to which a job is seen as purposeful. Specifically, the third measure evaluates the construct of task significance, which captures “the degree to which a job has a substantial impact on the lives or work of other people” (Hackman and Oldham 1976, p. 257). The most widely-used, validated measure of task significance is that of Morgeson and Humphrey (2006, p. 1337; hereafter referred to as MH) and asks whether a job “is likely to significantly affect the lives of other people”, “is itself very significant and important in the broader scheme of things”, “has a large impact on people outside of the organization”, and whether the “work performed on the job has a significant impact on people outside of the organization”. Note that these statements do not use the "I" pronoun, but focus attention on the job or the impacted stakeholders. Moreover, these statements capture several of the key characteristics of corporate purpose discussed in §2: they refer to a future-oriented, ambitious goal, with external beneficiaries. Moreover, they provide descriptions of the job itself, without any mention of the experience (current or anticipated) that an employee may derive from the job. Given the lack of an established measure, we ask participants to rate the job description they were presented with on each of these three scales.

We run an online study, using a between-subjects design, where participants are shown one of the two job postings and are then asked to evaluate the job according to the three aforementioned scales. To analyze our results, we compare responses between conditions using Wilcoxon rank sum tests for each of the three scales independently. We find that for each scale, participants in the high Topic 6 condition rate the job posting higher than participants in the low Topic 6 condition. As illustrated in Figure 1, however, these differences are statistically significant for the MH scale \( p < 0.01 \), but not for the other two \( p = 0.693 \) for GA and \( p = 0.387 \) for BA. These findings thus reinforce our arguments that Topic 6 (i) maps onto the concept of corporate purpose, and (ii) it does so in a manner that is distinct from the effect that a purposeful job may have on a prospective employee’s anticipated experience on the job.

Finally, though our intent is not to validate a survey-based measure of purpose, as a post-hoc analysis we subject our data to factor analysis for all items in each of the three scales. Our results suggest a two-factor solution with BA and GA items loading onto the first factor and MH items loading onto the second. Two items, one from BA and one from MH cross load on both factors. We drop the two cross-loading items, and then evaluate the differences between the high and low Topic 6 conditions for aggregates representing these two factors. Again directionally, participants receiving the high Topic 6 job posting rank higher than participants receiving the low Topic 6 posting; however, only the MH-dominant factor yields statistically significant differences (for what we expect to be the same reasoning as above).
4.3. The Effect of Purpose Language on Job Applications

Having identified a topic that captures corporate purpose claims, in this section we study the effect that this topic has on the number of applications that a job posting receives. We also analyze whether and how this effect is moderated by the size of the recruiting firm, as measured by its number of employees. We use the latter as a proxy for firm capacity, which is well established in the theory of the firm and resource-based view of the firm literatures (Zenger et al. 2011, Barney 2010). More importantly, information about number of employees is a default piece of information that was included and clearly displayed in the web interface for the job postings, which was not the case with other signals of firm capacity such as total assets, market capitalization (if applicable), number of facilities, etc.

To test our hypotheses, we consider the dataset of jobs and applications introduced in §4.1. For each job, Topic Modeling gives us a measure of the degree to which our main topic of interest (Topic 6) is present in the job description. For ease of exposition, henceforth we refer to this continuous measure simply as a job’s purpose language, which is our main independent variable of interest. The number of applications that each job receives constitutes our dependent variable. Finally, given our goal of understanding the moderating role of firm size, we remove from consideration those jobs for which we do not have information about the number of employees of the hiring firm. This yields a total of 18,764 jobs from 4,766 firms, and 12,088 applications from 802 students; i.e., we only remove from consideration 1,517 jobs, or 7.5% of the total, for which we do not have firm size information.

Figure 2 summarizes the average number of applications per job that we observe in our dataset, grouped by firm size and level of purpose language. Firm size is grouped into three categories: small (less than or equal
to 50 employees); medium (between 50 and 1,000 employees); and large (greater than 1,000 employees). 3

These groups represent approximately 26%, 38.3%, and 35.6%, respectively, of jobs in our sample. The level of purpose language is defined as low if it is less than or equal to the first quartile of this language among jobs in the dataset; and as high if it is greater than or equal to the third quartile. In other words, low- (high-) purpose jobs correspond to the bottom (top) 25% of the jobs ranked by purpose language. We observe that high-purpose jobs receive a higher number of applications than low-purpose jobs, and this difference is significant regardless of firm size (Wilcoxon rank-sum test, $p < 0.001$). However, what is readily apparent from Figures 2a–2c is that the magnitude of this effect is much larger among large firms (2.29 vs. 0.43 jobs for high- vs. low-purpose jobs, or a greater than five-fold increase in applications) than among small and medium firms, where the increase is less than two- and four-fold, respectively. These observations lend preliminary support for both of our hypotheses, as they suggest that emphasizing purpose has a positive effect on the job applications received by a firm (Hypothesis 1), but the magnitude of this effect decreases as size (a proxy for capacity) decreases (Hypothesis 2).

Figure 2: Average number of job applications received per job, by firm size and purpose language

To formally evaluate the role that purpose language and firm size have on job applications, while controlling for additional information that may be relevant to applicants, we conduct several regression analyses under different model specifications. Each observation corresponds to a job, and the number of applications that each job receives is our dependent variable. Since it corresponds to an over-dispersed count variable (with an average of 0.64 and a variance of 8.98 applications per job), our main analyses are conducted using negative-binomial regressions. In addition, most employers post multiple jobs on the platform, with a median of 8 jobs per employer, so we cluster standard errors at the employer level. Finally, in all models we control

---

3 Information about a firm’s employees was available to participants and in the dataset in 9 ordinal categories (1 – 10, 10 – 50, . . . , 10,000 – 25,000, 25,000+). Thus, we cannot study it as a continuous variable. We confirm that our main results remain unchanged under alternative size categorizations; see, e.g., the last column in Table 3.
for key firm and job characteristics, including industry, job function, dummy variables for the months in 2017-2018 when the job was available (i.e., when and for how long each job accepted applications), and location. For ease of exposition, we omit regression results associated with these control variables.

Our results are summarized in Table 3, where each model specification corresponds to a different column. Column (1) shows the baseline model where we control only for firm and job characteristics, but do not include the topics identified through Topic Modeling. Firm size is modeled as a categorical variable with the same three levels as in Figure 2: Small Firm is a dummy variable equal to 1 if the firm has less than or equal to 50 employees; Medium Firm is equal to 1 if the firm has between 50 and 1,000; and Large firms is the baseline level, corresponding to firms with more than 1,000 employees. We find that size has a significant effect on the number of applications, with jobs from medium and small companies receiving significantly fewer applications than their large counterparts. Jobs from medium companies also receive a directionally greater number of applications than those from small companies, but this difference is not statistically significant. Finally, we control for the length of the job posting by including the natural logarithm (due to high skewness) of each posting’s word count. In Model (1), we find that the longer the job posting, the more applications a job receives, as the coefficient for log(Word Count) is positive and significant.

In Model (2), we introduce the main effects from the topics identified in Topic Modeling—including, most notably, purpose language. The regression results associated with this topic are presented in the top row of Table 3, corresponding to the variable Purpose. Consistent with Hypothesis 1, we find a positive and statistically significant effect of using this language. In addition, the main effects of size persist and remain qualitatively unchanged from Model (1). It is interesting to note, however, that not all independent variables have the same effect on applications once we take topics into consideration: specifically, the length of a job posting has a significantly negative effect on applications in Model (2). In other words, when we control for the content of a job description (captured by the topics), the effect of the total amount of text changes from positive to negative.

Next, Column (3) in Table 3 introduces the interaction between purpose language and firm size, and hence corresponds to our main model of interest. We observe negative and statistically significant coefficients

---

4 We control for location with the variable Top-50 City, an indicator variable equal to 1 if the job is listed in one of the top 50 (by population) major metropolitan geographic regions as defined by the US 2016 census, and 0 otherwise. We construct it by matching the zip code associated with the job posting to the core-based statistical area (CBSA) listed in the census and then aggregating up to the metropolitan statistical area (MSA).

5 By construction, the values that Topic Modeling attributes to each topic are designed to add up to 1 for each job posting, as each of these values represents the percentage of a job posting that corresponds to each topic. For example, a value of purpose language equal to 0.05 indicates that 5% of the job posting is devoted to purpose language. Therefore, we cannot include all topics simultaneously as independent variables. Instead, we initially include all topics that are significantly correlated with the number of applications (Spearman correlation test, $p < 0.001$) and use backward stepwise regression to remove topics until the Akaike Information Criterion (AIC) stops decreasing. We also include topics 42 and 63, which describe discrete social and environmental responsibility policies (see §4.2).
Table 3: Negative Binomial Regression Results under Different Model Specifications.

<table>
<thead>
<tr>
<th></th>
<th>Firm Chars. (1)</th>
<th>Topics (2)</th>
<th>Interaction (3)</th>
<th>Reputation (4)</th>
<th>Granular size (5)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purpose</td>
<td>0.08***</td>
<td>0.10***</td>
<td>0.10***</td>
<td>0.09***</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(0.01)</td>
<td>(0.01)</td>
<td>(0.01)</td>
<td>(0.01)</td>
<td></td>
</tr>
<tr>
<td>Medium Firm</td>
<td>−0.62***</td>
<td>−0.50***</td>
<td>−0.36***</td>
<td>−0.24**</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(0.11)</td>
<td>(0.09)</td>
<td>(0.10)</td>
<td>(0.09)</td>
<td></td>
</tr>
<tr>
<td>Small Firm</td>
<td>−0.66***</td>
<td>−0.64***</td>
<td>−0.50***</td>
<td>−0.36***</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(0.12)</td>
<td>(0.11)</td>
<td>(0.12)</td>
<td>(0.11)</td>
<td></td>
</tr>
<tr>
<td>Good Reputation</td>
<td></td>
<td></td>
<td>0.90***</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>(0.17)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Purpose × Medium Firm</td>
<td>−0.07***</td>
<td>−0.06**</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(0.02)</td>
<td>(0.02)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Purpose × Small Firm</td>
<td>−0.07***</td>
<td>−0.07**</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(0.02)</td>
<td>(0.02)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Purpose × Good Reputation</td>
<td>−0.04*</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(0.02)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Large (alt.)</td>
<td></td>
<td></td>
<td>−0.37**</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>(0.13)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Medium (alt.)</td>
<td>−0.47***</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(0.12)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Small (alt.)</td>
<td>−0.62***</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(0.12)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Extra-small (alt.)</td>
<td>−0.72***</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(0.12)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Purpose × Large (alt.)</td>
<td>0.02</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(0.02)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Purpose × Medium (alt.)</td>
<td>−0.04</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(0.02)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Purpose × Small (alt.)</td>
<td>−0.09**</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(0.03)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Purpose × Extra-small (alt.)</td>
<td>−0.06**</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(0.02)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>log(Word Count)</td>
<td>0.14*</td>
<td>−0.12*</td>
<td>−0.12*</td>
<td>−0.12*</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(0.07)</td>
<td>(0.06)</td>
<td>(0.06)</td>
<td>(0.06)</td>
<td></td>
</tr>
<tr>
<td>Constant</td>
<td>−1.53**</td>
<td>−0.94*</td>
<td>−1.07*</td>
<td>−1.31*</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(0.50)</td>
<td>(0.46)</td>
<td>(0.47)</td>
<td>(0.51)</td>
<td></td>
</tr>
<tr>
<td>Additional Firm and Job Characteristics</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
</tr>
<tr>
<td>Additional Topics</td>
<td>NO</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
</tr>
<tr>
<td>Log-likelihood</td>
<td>−14,551.14</td>
<td>−13,953.87</td>
<td>−13,938.72</td>
<td>−13,887.58</td>
<td>−13,918.6</td>
</tr>
<tr>
<td>AIC</td>
<td>29,288.28</td>
<td>28,149.74</td>
<td>28,123.44</td>
<td>28,025.16</td>
<td>28,091.2</td>
</tr>
</tbody>
</table>

Note: *p<0.1; *p<0.05; **p<0.01; ***p<0.001
associated with the terms Purpose × Medium Firm and Purpose × Small Firm. As a result, the marginal effect of purpose language on applications decreases from 0.101 for large firms to 0.036 for medium firms and 0.028 for small firms, though all values remain statistically positive (one-tailed t test, $p < 0.001$, $p < 0.05$, and $p < 0.1$, respectively). These results confirm our observations in Figure 2 and provide strong support for Hypothesis 2: the positive effect of purpose language on applications decreases as our measure of capacity—firm size—decreases. To help quantify the moderating role of firm size, consider the following: when purpose language increases from 0.2 to 4.2 (the bottom and top 10th-percentile of purpose language in our dataset, respectively), the predicted average number of applications per job increases from 0.25 to 0.38 among large firms—a 52\% relative increase. However, for the same change in purpose language, among medium and small firms, the predicted average number of applications increases only from 0.17 to 0.20 (medium) and from 0.15 to 0.17 (small). In other words, we observe an increase in applications that is approximately 3 (4) times larger among large firms than among medium (small) firms.\(^6\)

Models (4) and (5) introduce two robustness checks. First, firm size has been associated in the literature with greater reputation or prestige (Josey et al. 2015). Therefore, it is possible that some large firms may benefit from it when making purpose claims, which could affect our use and interpretation of size as a proxy for capacity. To investigate this alternative explanation, in Model (4) we introduce a measure of corporate reputation (see variable Good Reputation in Table 3) as well as its interaction with purpose language. We define this measure as a dummy variable equal to 1 if the firm was listed in 2017 (the year of job postings in our dataset) as a top firm in one of four reputation rankings, and equal to 0 otherwise. Following several recent studies on corporate reputation (Bidwell et al. 2015, Rider and Tan 2015), we consider the following rankings: America’s Most Reputable Companies (Strauss 2017), Global CSR RepTrak (Reputation Institute 2017), CR’s 100 Best Corporate Citizens (CR Magazine 2017), and Best Places to Work lists (Vault 2017). We adopt a broad approach for defining positive reputation—which includes but is not limited to social impact—to account for the potential of a general perception of reputation to have a halo effect on a firm’s purpose claims. We find that good reputation has a positive and significant main effect on job applications. However, it has a negative interaction with purpose language (see row Purpose × Good Reputation in Table 3). In other words, reputation and purpose language act as substitutes: the use of the latter is more beneficial to firms that do not already have good reputation, as measured by our external rankings.\(^7\) Thus, reputation alone cannot explain the interaction that we observe in Model (3): if larger firms benefited more

\(^6\)To compute the effects of purpose language on predicted applications, we consider a job with common characteristics in the dataset: located in a top-50 city, available to applicants for the most common 6-month time window, in the internet and software industry, and job function corresponding to engineering/web/software. All topics except for language purpose are computed at their average values.

\(^7\)Note that not being included in one of the 4 rankings that we use to construct a measure of good reputation does not mean that a company has bad reputation.
from purpose language because of greater reputation, then we would expect the interaction between Purpose and Good Reputation to be positive, not negative. Moreover, controlling for reputation, in Model (4) we continue to observe a positive main effect of Purpose, as well as a negative interaction effect with size.\footnote{8}

Finally, in Model (5) we test the robustness of our results to an alternative classification of firm size. We define 5 categories of size: extra-small if the firm has between 1 and 50 employees; small, if 50–100; medium, if 250–1,000; large, if 1,000–10,000; and extra-large if more than 10,000 employees, which we treat for consistency as the baseline category. The results are presented in the last column of Table 3 and show that our main insights remain unchanged. First, as the size of the firm decreases, there is a negative main effect on applications, with the magnitude of the difference increasing as we move from large to extra-small companies. Second, the main effect of purpose language remains significant and of comparable magnitude to our previous models. Lastly, there is a negative and significant interaction between purpose language and small and extra-small firms, as well as a directionally negative interaction with medium companies.

**Additional Robustness Checks.** It is worth noting that our results are also robust to several alternative empirical approaches. First, as illustrated in Figure 2, the average number of applications that each job receives is relatively small (equal to 0.644 across all observations). This is in large part due to the fact that 79.5% of jobs in our dataset receive no applications. However, our main results—particularly regarding the positive main effect of purpose language on applications, and the decrease of this effect as firm size decreases—continue to hold if we separately study: (i) the likelihood that a job receives at least one application, using logistic regression; and (ii) the number of applications that a job receives, conditional on the job receiving at least one application. Thus, the effects of purpose language discussed in this section stem from both the chance that a job may be considered by individuals and the level of interest that a job may garner, as measured by applications. Similarly, our results remain qualitatively the same if, instead of negative binomial, we use Ordinary Least Squares (with both the logarithm of and actual number of applications as dependent variables) or Poisson regressions.

In addition, we recognize that our hypotheses reside at the level of the firm, whereas our analyses are presented at the level of the job (i.e., we measure the amount of purpose language for a job posting and measure the number of applications received by that job). We elect to present our analyses at the job level—while clustering standard errors at the employer level—for two reasons. First, doing so most closely matches our empirical setting, where applicants choose to apply (or not) for specific jobs, which affords a more generalizable interpretation of effect sizes. Second, and relatedly, aggregation of data at the employer level

---

\footnote{8 We do not include interactions between firm size and reputation because, consistent with our conjecture that large firms are more likely to be associated with it, there are only 52 medium companies and no small company with Good Reputation = 1 in our dataset—compared to 851 or 12.7% of large companies.}
could lead to biased inferences about the decisions that prospective job applicants make at the (more granular) job level (see, e.g., Moulton 1990). However, we also test the robustness of our results by aggregating our data at the employer level and find qualitatively similar results (see Appendix O.3 for more details).

Finally, our results are qualitatively similar when we include a quadratic term for the strength of purpose language. Intuitively, there is an inherent cost to using increasing amounts of a particular language (e.g., because it decreases the relative importance of other topics that are also important to applicants). As such, we would expect to observe curvilinear effects of purpose language; there may be some optimal amount of this language, beyond which further use of the language has negative marginal effects. We indeed find this to be the case at both job and employer levels of aggregation. However, our main insights regarding the interaction between purpose language and firm size continues to hold. These results are available from the authors upon request.

5. Study 2: Controlled Experiment

To better understand the role of capacity perceptions in explaining the effect of purpose language on applicant attraction, in the following section we conduct a controlled online experiment. In §4.3 we find that large firms benefit more from the use of purpose language than their medium and small counterparts. However, firm size could be serving as a proxy for another characteristic, like firm trustworthiness, which might shape the effect of purpose language. Therefore, in the following section, we explore whether this result can, as conjectured, be attributed to perceived differences in a firm’s capacity to carry out its purpose claims. In what follows, we first describe our experimental design and procedures, and then discuss our main findings.

5.1. Experimental Design and Procedures

In our study, we ask participants to imagine that they are actively applying for jobs and we present them with an excerpt from a (hypothetical) job posting. We design the latter by adapting a job description from our dataset, including words that are highly representative of the purpose language topic (e.g., world, passion, challenge, impact; see §4.2 for more details). In other words, we use a high-purpose job description. Then, participants are asked to state how likely they would be to apply for the job, using a 7-point likely/unlikely Likert-scale item and assuming that they have the necessary credentials.

We manipulate the above vignette along a single dimension to create a $2 \times 1$ between-subjects design. In the Small Firm condition, the job posting describes the company as “a small biotechnology consulting firm, with 8 employees, located in Pittsburgh, Pennsylvania.” Conversely, the Large Firm condition describes the

---

9 To confirm that our hypothetical job posting is representative of purpose language as articulated in §4.2, we use our model to predict its topical scores based upon the words used in the posting. Our job posting yields a purpose language value of 19.6, indicating that almost 20% of the language is purpose language (which would reside in the top 1 percentile of jobs in our dataset). It is worth noting that participants are informed that the job posting is hypothetical only at the end of the study.
company as “a global biotechnology consulting firm, with 7,500 employees, headquartered in Pittsburgh, Pennsylvania.” All other aspects of the job posting remain the same across the two conditions. Following the job description and application likelihood question, all participants see two sets of 7-point agree/disagree Likert items. The first set includes three questions about perceptions of capacity, and the second set consists of three questions that measure perceptions of truthfulness. Following the literature on credibility—where truthfulness and capacity are fundamental but separate components of credibility; see the discussion in §3—the truthfulness items focus on the intent to carry out the claim. To mitigate possible order effects, we randomize the order in which each set of perception items is presented to participants. The detailed language used in each of the vignette conditions, as well as the application likelihood question, capacity perception items, and truthfulness perception items are summarized in Table 4.

Table 4: Summary of Experimental Design.

| Job Description | [Manipulation: Small Firm condition] Redwood Associates is a small biotechnology consulting firm, with 8 employees, located in Pittsburgh, Pennsylvania. [Manipulation: Large Firm condition] Redwood Associates is a global biotechnology consulting firm, with 7,500 employees, headquartered in Pittsburgh, Pennsylvania. Together, we are inspired to help address the world’s greatest hunger challenges with our testing products and consulting services for the agricultural and food service sectors. Our leading edge innovations impact the lives of people by improving the safety, quality, and reliability of food. Since our founding, we have delivered innovative technologies and solutions that change the way the world eats. Our passion and innovative culture brings together people from engineering, science, and business. In this position, you will be part of a team that manages service accounts for our established customers, providing leading customer service support. You will report to the assistant vice president of operations. Salary: $50,000 |
| Application Likelihood | If you were searching for a job, assuming that this job was in your field and you had the proper credentials, how likely would you be to apply for this job? |
| Capacity perception | This company has the capacity to address the world’s greatest hunger challenges. This company has the ability to address the world’s greatest hunger challenges. This company has the resources to address the world’s greatest hunger challenges. |
| Truthfulness perception | This company is sincere in its claim to seek to address the world’s greatest hunger challenges. This company is truthful in its claim to seek to address the world’s greatest hunger challenges. This company is authentic in its claim to seek to address the world’s greatest hunger challenges. |

Note. The only difference between the Small Firm and Large Firm conditions is the first sentence in the job description. The rest of the job description and questions are the same for all participants.

Note that we do not manipulate the level of purpose language that participants see in the job description, as we do not aim to replicate the interaction effect observed in §4.3. Instead, the main goal of our controlled experiment is to better understand why large firms may benefit more than small firms from a high-purpose
Valdés et al.: Purpose Claims and Capacity-Based Credibility

claim. Our design allows us to address this by studying whether, conditional on a firm making a high-purpose claim, the effect of size on application is mediated by perceptions of a firm’s capacity to carry out the claim.

We recruited participants online using CloudResearch Prime Panels, a platform with more than 50 million users that allows researchers to filter respondents based on several criteria. After being recruited, participants completed the survey on Qualtrics. Given our field study’s population, we screened participants and only included individuals who were: aged 20–25 years old; college graduates; living in the United States; and who had applied to at least one job in the six months prior to taking the survey. We included the latter restriction because we aim to understand how individuals who are looking for a job respond to purpose language. In addition, focusing on recent college graduates allows us to mitigate the impact that the experience of working at one or more organizations may have on how job seekers view purpose claims, which is outside the scope of the present study.

Following the above recruitment and screening procedures, we collected data from 140 participants, evenly split between the Small Firm and Large Firm conditions. After the main steps of the experiment (see Table 4), participants completed a manipulation and comprehension check where they were asked to rate the size of Redwood Associates, the fictitious company from our vignette design, on a 7-point scale ranging from “Extremely small” to “Extremely large”. Based on this question, we confirm that participants perceived the company in the Large Firm condition to be significantly larger than in the Small Firm condition (average values of 4.57 and 2.99, respectively; one-tailed Wilcoxon rank-sum test, \( p < 0.001 \)). Participants who qualified for the study took an average of 5.6 minutes to complete it. Their median age was 24 years old and 45% (54.3%) of them identified as male (female). In addition, 99 participants identified as White or Caucasian, 19 as Black or African American, 15 as Hispanic, and 9 as Asian American. Participants received a fixed fee for their participation and were informed at the end of the survey that a fictitious company and job posting were used throughout the study.

The pre-registration of our experimental study can be found at https://aspredicted.org/blind.php?x=3RT_L2C. We note two differences between the pre-registration and our final design. First, instead of controlling for age and application behavior in the general population, we decided to restrict participation based on these criteria. We only learned that such a restriction was possible after our conversations with CloudResearch. Second, our initial sample size was estimated based on past experiences with in-person laboratory studies. We decided to increase it (from 100 to 140) to account for the noisier behavior that has recently been observed and documented in online environments (see, e.g., Gupta et al. 2021). However, our results remain unchanged if we consider only the first 100 observations in our data.11

---


11 For ease of exposition, we also decided: (i) not to treat truthfulness-as-mediator as a separate hypothesis, noting instead that firm size has no direct effect on truthfulness perceptions; and (ii) to omit the results where application is binarized (but we confirm that our results remain qualitatively the same in this case).
5.2. Results

Following Hypothesis 2 and its discussion in §3, we make the following conjecture: given the job posting’s high-purpose claim, subjects in the Large Firm condition perceive the company to have a higher capacity to carry out this claim; and this perception, in turn, generates a greater likelihood to apply for the job, compared to subjects in the Small Firm condition. In other words, Hypothesis 2 suggests the existence of a positive indirect effect of firm size on application likelihood via an increase in perceived capacity. To formally test this conjecture, we conduct the following system of simultaneous linear equations:

\[ \text{Capacity} = c_1 + a_1 \times \text{Size} + \gamma_1 \times C + \epsilon \]  \hspace{1cm} (1)

\[ \text{Application} = c_2 + a_2 \times \text{Capacity} + a_3 \times \text{Size} + \gamma_2 \times C + \epsilon. \]  \hspace{1cm} (2)

We define Capacity as the average of the three capacity perception items in Table 4, which are highly reliable (Cronbach’s $\alpha = 0.88$). Size is a dummy variable equal to 1 if a participant completed the Large Firm condition, and 0 otherwise. Application is the score from the application likelihood question in Table 4, which ranges from 1 to 7. Finally, we control for demographic characteristics with the vector $C$, which includes age, a dummy variable equal to 1 if the participant identifies as female (and 0 otherwise), and a dummy variable equal to 1 if the participant identifies only as white or Caucasian (and 0 otherwise).

We control for demographic characteristics because, e.g., gender has been shown in the literature to have a significant impact on individuals’ prosocial behavior, in general (Eagly 2009, Andreoni and Vesterlund 2001), and on their responses to corporate purpose, in particular (Burbano et al. 2020).

Our results are summarized in Figure 3. Statistically significant coefficients are represented by solid arrows, while non-statistically significant ones are represented by dotted arrows. For ease of exposition, we omit the effects of demographic characteristics from our results. Consistent with our conjectures, we find that Size has a positive and significant effect on Capacity; and that the latter has a positive and significant effect on Application. Furthermore, and consistent with our earlier conjecture, by combining both effects we obtain a significantly positive indirect effect of size on application likelihood through capacity perceptions ($a_1 \times a_2 = 0.155$, one-tailed $p < 0.05$). These results have important implications for our understanding of the interplay between purpose language, capacity perceptions, and application behavior. First, the significant effect of size on capacity perceptions lends support to our use in §4.3 of firm size as a proxy for capacity. Second, the above indirect effect helps to explain why in our field-data analyses, large firms benefit more from making purpose claims: they are perceived as having more capacity and ability (compared to small firms) to carry out these claims.

\[ \text{All statistical tests for indirect effects are computed using bootstrapping (see, e.g., Preacher and Hayes 2004).} \]
Figure 3: Results for the Simultaneous Equation Model (1) and (2).

```
<table>
<thead>
<tr>
<th></th>
<th>Capacity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Size</td>
<td>0.50**</td>
</tr>
<tr>
<td></td>
<td>(0.21)</td>
</tr>
<tr>
<td></td>
<td>0.31***</td>
</tr>
<tr>
<td></td>
<td>(0.11)</td>
</tr>
<tr>
<td></td>
<td>-0.27</td>
</tr>
<tr>
<td></td>
<td>(0.26)</td>
</tr>
</tbody>
</table>
```

Note. *p<0.1. **p<0.05. ***p<0.01.

Finally, we investigate what role, if any, do perceptions of truthfulness play in our results. We do not anticipate that truthfulness perceptions impact perceived capacity, especially given that the former focuses on the firm’s intent to carry out the claim. However, a purpose claim may be perceived as less sincere if the firm does not have the required capacity to carry it out. In other words, it is possible that greater perceived capacity leads to greater perceived truthfulness of the claim. Therefore, we examine whether truthfulness helps to explain the observed indirect effect of capacity on application likelihood. Similarly, we also investigate if, independent from capacity, truthfulness plays an additional role in explaining how firm size affects applications. To address these questions, we run the following sequential mediation model (see Model 6 in Hayes 2012):

\[
Capacity = c_3 + b_1 \times Size + \delta_1 \times C + \epsilon
\]  
\[
Truthfulness = c_4 + b_2 \times Size + b_3 \times Capacity + \delta_2 \times C + \epsilon
\]  
\[
Application = c_5 + b_4 \times Capacity + b_5 \times Truthfulness + b_6 \times Size + \delta_3 \times C + \epsilon,
\]

where truthfulness is defined as the average of the three truthfulness perception Likert items in Table 4 (Cronbach’s α = 0.86). All other variables are the same as in Equations (1) and (2).

Figure 4 presents the main results from Equations (3) to (5). We find positive and significant effects of Size on Capacity, Capacity on Truthfulness, and Truthfulness on Application, with all other effects not statistically significant. In particular, firm size does not directly impact perceptions of truthfulness, independent of capacity; it only impacts truthfulness through capacity perceptions. This suggests that truthfulness is not an alternative separate mechanism behind the effect of size on applications in §4.3.13 However, this does

13 We also confirm that, running a simple linear regression of Size on Truthfulness, we do not obtain a statistically significant coefficient (t test, \(p = 0.4\)).
not mean that truthfulness plays no role, as it helps to explain the indirect effect of Size on Application via Capacity that we observed in Figure 3. Accounting for the role of truthfulness, the indirect effect of firm size on application likelihood via capacity perceptions continues to be statistically significant and greater than zero ($b_1 \times b_4 + b_1 \times b_3 \times b_5 = 0.155$, one-tailed $p < 0.05$).

Figure 4: Results for the Simultaneous Equation Model (3) to (5).

6. Discussion and Conclusions
Firms are increasingly emphasizing corporate purpose in their efforts to attract external stakeholders, and it is important to study the factors that give these claims credibility in order to better understand their impact. Following on earlier persuasion research, in this paper we argue that perceptions of firm capacity are likely to be a key credibility source. Using application data from a web-based job platform serving graduating university students, we test our hypotheses that (i) there is a positive relationship between the amount of purpose language in a job posting and the number of applications that the job receives, and (ii) this relationship is particularly strong for jobs from large firms (which we treat as a proxy for firm capacity). To develop a measure of corporate purpose language, we adopt a data-driven quantitative text analysis method, to identify the common language employers use to talk about corporate purpose. With this measure, we are able to generate strong support for our hypotheses. To confirm that size acts as a proxy for capacity, we run an experimental study, where we verify that large firms benefit more from a high purpose claim through an increased perception of capacity to carry out the claim.

Our work engages with three active literatures, on corporate purpose, the labor market effects of social impact, and determinants of firm credibility and authenticity. With respect to the growing body of research on corporate purpose, we offer a number of contributions. First, beyond measures that risk conflating the
cause of purpose with its effect, we develop a measure of the strength of a purpose claim through the use of natural language processing. One challenge of our measure is that it is specific to the corpus of language we study. Future studies might examine different contexts, like corporate mission statements, to observe whether we see similar language. Alternatively, scholars could construct a dictionary from our purpose topic, to measure the strength of purpose language in other settings. Our paper also expands research on purpose by showing a setting where the claim of purpose alone has an effect, even for workers who have not been deeply socialized to the organizational culture. While others have suggested that this may be only viewed as “cheap talk” (Gartenberg et al. 2019, Henderson and Van den Steen 2015), we show that even this claim can have an effect in a setting where other information about the worker experience is limited. Finally, our findings suggest that purpose scholars should reconsider truthfulness concerns as the primary source of purpose skepticism. Given the ambition of purpose claims, we find that perceived firm capacity has important consequences for the credibility of these claims. This finding has important implications for the ability of small firms to leverage corporate purpose, and it similarly raises the question of how these firms could convince stakeholders of their ability to carry out their purpose claims. While our paper focuses on the labor market as an empirical context, future research might apply our corporate purpose claim measure or our argument about the importance of capacity perceptions, to other stakeholder groups, like consumers and investors.

Regarding research on the labor market effects of social impact, scholars increasingly recognize that firms can adopt social impact not only in a peripheral manner (as a set of discrete policies), but also in a more embedded way—as corporate purpose (Aguinis and Glavas 2019). However, the impact of purpose claims on job attraction is not well understood. In a large heterogeneous sample of firms, we find that, indeed, (i) companies are using corporate purpose language to make social impact claims, and (ii) these claims have an effect on worker attraction. Scholarship on the labor market effects of social impact similarly provides few insights about the conditions when social impact claims will fail to attract workers (Jones et al. 2016). Some recent work on sources of credibility for social impact claims suggests that credibility comes from firm trustworthiness, but does not explicitly test this hypothesis and does not consider capacity as a source of credibility. Our study advances this literature, by demonstrating how capacity can moderate the attractiveness of purpose claims. It is worth noting that we only observe the moderating effect of capacity when firms present social impact as corporate purpose. Future research should examine whether capacity also moderates presentations of social impact as discrete policy and whether, when presented this way, truthfulness concerns become more salient. In fact, future research may seek to explicitly test the interaction of both sources of credibility and both types of social impact claims on worker preferences and behaviors.

More broadly, our work offers some insights for scholars broadly interested in authenticity and credibility. Capacity, to date, receives little attention in this space. It is often taken for granted that a firm can do what
it claims to do and authenticity, then, focuses on whether the firm is willing to do what it claims to do. For instance, Hahl and Ha (2020) find that a firm that seeks to diversify into new segments in the mental health industry will be seen as inauthentic when there is a more overt presence of a for-profit motive to diversify. However, they hold capacity constant to eliminate capacity or ability as an explanation in their qualitative and experimental analyses. In this way, the authors implicitly suggest that there must be a basic level of capacity to serve more patients through diversification by only looking at the sincerity of the claim. In a more general sense, then, it stands to reason that should ability or capacity to fulfill a claim be called into question, so should the authenticity of that claim. Consistent with this idea, the experimental analysis presented in Figure 4 indicates that capacity can inform truthfulness. As our measure of truthfulness is made up of some components consistent with authenticity, these results might imply that capacity can serve as an antecedent to perceptions of authenticity, particularly where capacity or ability to fulfill a claim can be called into question. Moreover, while there is some suggestion that corporatization, in at least some contexts, can reduce perceptions of authenticity (e.g., Hahl and Ha 2020, Frake 2016), based on results from this paper, it would seem that the capacity of a corporation—distinct from questions about its motives—might increase perceived authenticity to the extent that the realization of a claim depends on some capacity or ability. Thus, future research might consider how capacity or capability can influence perceptions of firm authenticity.

As companies increasingly emphasize corporate purpose in their efforts to attract external stakeholders, our study suggests that companies should not only pay attention to their perceived trustworthiness, which has been the main focus of the extant literature. Instead, we find that workers may also view these corporate purpose claims as a set of goals to be evaluated for their achievability—based, in particular, on the capacity of companies to carry out their claims. We hope that our work will motivate other researchers to continue to study the role of capacity in the credibility of corporate purpose claims, as well as how firms can effectively convey capacity to external stakeholders.

References


Barnard CI (1938) The Functions of the Executive (Harvard University Press).


Gartenberg CM (2022) Purpose-Driven Companies and Sustainability. SSRN Scholarly Paper ID 3786823, Social Science Research Network, Rochester, NY.


