



Purpose-oriented oversight: the governance of purpose-driven entities

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Mines Paris – PSL

Chair Theory of the Enterprise

INTRODUCTION – INSIGHTS FROM THE FRENCH SOCIÉTÉ À MISSION



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- Theoretical work on the need for new legal structures for companies to anchor and protect objectives of Social & Environmental responsibility
- Creation of the Société à Mission in 2019 in France – Now 2000+
- A different path from Steward Ownership but with interesting insights
- Numerous stories of how the governance and the management/strategy of a profitable company functions with a purpose

- Focus on a specific aspect of governance:
→ Why and how to “control” the purpose?

THEORETICAL AND EMPIRICAL FRAMING – TOWARDS RESPONSIBLE CORPORATE GOVERNANCE



"Yes, the planet got destroyed. But for a beautiful moment in time we created a lot of value for shareholders."



"That's our mission statement."

How to build a "responsible corporate governance" framework?

- Consensus over the risk of a shareholder-value-driven governance and firm development
- Challenge to protect the "enterprise" from financial pressure related to the shareholding structure

Purpose beyond profit as a rising answer

- Numerous approaches (prosocial purpose / mission statements / profit-with-purpose, ...)
- ... **also raising skepticism**: vague formulation, unenforceable, and subject to "mission drift"

Mission drift caused by
domination of market logic

Solution: getting rid of incentive
towards profit maximization

Purpose becomes optional

Blair & Stout, 1999
Segrestin & Hatchuel, 2011
Sjåfjell et al., 2015
Scherer & Voegtlin, 2020
...

Battilana, Dorado, Besharov...
Serafeim, Mahoney, Mayer...
Gehman, Grimes ...
Mair et al., Grandori, Thomsen
...

THEORETICAL AND EMPIRICAL FRAMING – WHY CONTROL THE PURPOSE?



"Until the fence is fixed, we're going to rely on self-discipline."

However :

- Cases where drifts occur **even with "bona fide" managers** (Grimes et al., 2020)
 - + "Accounting for the Values Complexity of All Organizations"
 - + In French SàMs, numerous cases of dilemmas over what is the "responsible" behavior
- Cases of degeneration / misuse – incl. management misbehaviour – in forms yet thought to be safe because of ownership structure → **how to re-create accountability?**
 - + Co-ops, Mutuels, Associations
 - + Foundations-owned
- Some reasons why staying responsible in an everchanging world can be very challenging

Charmettant 2024, Pastier 2024,
Pek 2021...
Hansmann & Thomsen 2021

In the following:

1. How practical cases of SàM exemplify the difficulty of maintaining a purpose besides profit maximization
2. The mechanisms of the SàM to control / oversee the purpose (> a "purpose-oriented oversight")
3. Joint perspectives for Steward Ownership and *Sociétés à Mission*

2 EXAMPLES OF FRENCH “ENTREPRISES À MISSION”



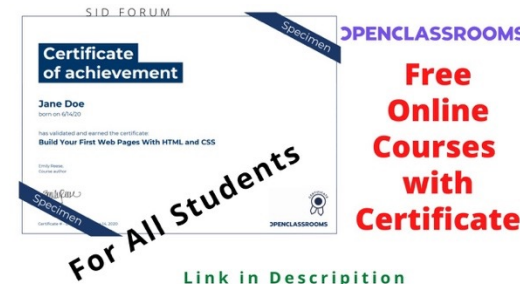
Family-owned



PLUMPY'NUT
A PEANUT PASTE THAT SAVES LIVES

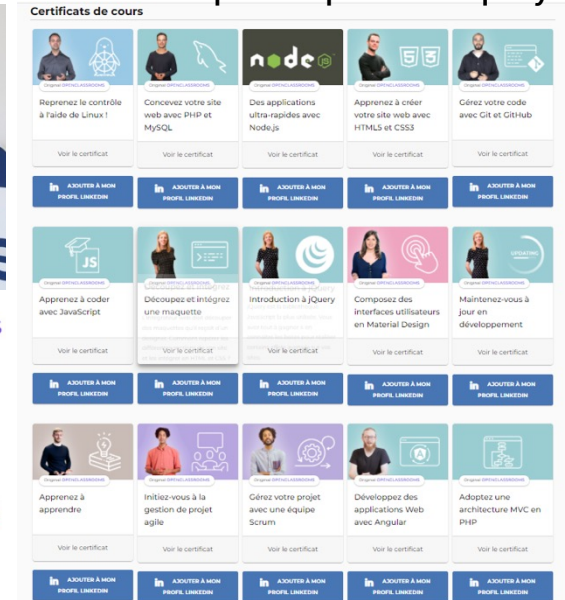
OPENCLASSROOMS

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Free
Online
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Link in Description



2018- OpenClassrooms becomes a mission-driven company
(becoming a pioneer in French mission-driven companies)

IMPACT REPORT 2020

“This first impact report [...] lays concrete foundations that will enable OpenClassrooms to accelerate, broaden and thoroughly measure its social impact. But this is just a beginning: we have a lot more work ahead of us both in terms of objective setting and in terms of execution and measurement.”

SOME CAUSES OF MISSION DRIFT BESIDES SHAREHOLDERS' PRESSURE

	Types	Examples	Role of a "purpose-oriented oversight"
Pressures by stakeholders other than shareholders	Pressure of external stakeholders on the organization		<u>Legal commitment</u> (articles of inc.) → Protects against external pressures
	Diverging interpretations of a commitment towards a purpose		
Dilemmas linked to epistemic tensions and absence of clear solutions	Change in economic sustainability of business model		<u>Purpose-oriented governance</u> → Provides expertise to counteract the cognitive biases of management → Supports dialogue, openness and creativity in the face of dilemmas → Evaluates appropriateness of management response to purpose
	Contradiction between two dimensions of a social & environmental purpose		
	Evolution of knowledge regarding what is considered as "responsible"		

THE OVERSIGHT MECHANISMS OF THE SOCIÉTÉ À MISSION

Art L.210-10 of commercial code

A corporation may publicly claim to be a société à mission if:

1. Its articles of association specify a *raison d'être* (purpose)
2. Its articles specify one or more social and environmental objectives that the company aims to pursue in the course of its activity;

Mission

3. Its articles of association specify the modalities for monitoring the execution of the purpose.

These modalities provide for a mission committee, **separate from the corporate bodies**, incl. at least one employee which is exclusively responsible for this monitoring, and annually presents a report to the AGM.

This committee **carries out any verification it deems appropriate and can access all documents necessary**

Oversight

4. The achievement of the social and environmental objectives is verified by an **independent third party** [every 2 years]

- Requires change of articles of incorporation → vote by AGM to add, change and remove the mission
- If conditions are not met, or when the independent third-party auditor reports that S&E objectives are not being met, any interested party may **apply to the president of the court to order the company to remove the words 'société à mission' from all deeds & documents**

THE OVERSIGHT MECHANISMS OF THE SOCIÉTÉ À MISSION

Mission committees :

- ≈ 60% external members (i.e. not workers, executives or directors)
- More than 1 committee out of 2 have at least one scientist
- Representation of skills in research, sustainability, entrepreneurship in governance
- Proactive discussion with management : **vigilance** over mission objectives + reassessment of strategies against **alternatives**



Key takeaways:

- **Interpellation of management choices** at the time of their crafting (rather than once the impact is observable)
- Expertise in governance bodies – not monitoring management but **providing guardrails, supporting search for alternative strategies**
- Providing a **deliberative and generative capacity** to “enforce” the purpose depending on knowledge shifts, specific situations, ...

NOTRE COMITÉ DE MISSION

Président

Jean-Philippe Courtois

Vice-président

Olivier Fleurot

Employeurs - Capgemini

Anne Lebel

Secteur public - Sémaphores

Patrice Guezou

Employés OpenClassrooms

Pauline Kamoun

Cécile Dubouis

Étudiants

Pauline Bourdeau

Nathan Bellow

Mentors

Francis Bock

Alexandra Marty

Cofondateur

Mathieu Nebra

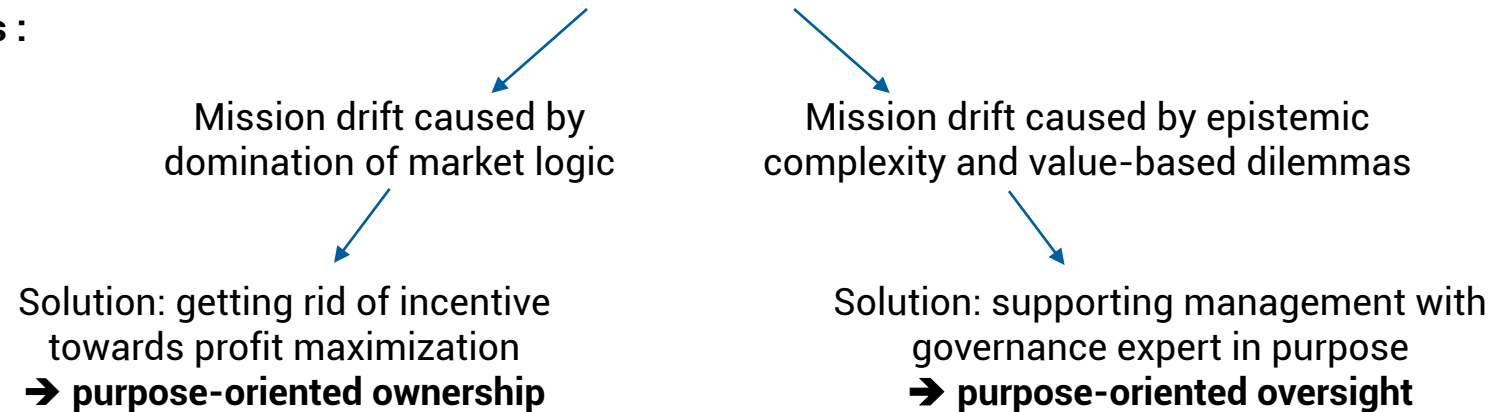
Investisseurs

Pierre-Olivier Barennes

OPENCCLASSROOMS

DISCUSSION & PERSPECTIVES

A complementarity between mechanisms :



→ Towards "responsible steward ownership" in the face of the unknown of current transitions?

- Preventing misallocation of resources by stewards creating irresponsible behaviour in StOw enterprises
- Preventing disappearance of the mission in case of change of ownership in Sociétés à Mission

→ An invitation to explore combinations of purpose-oriented ownership and purpose-oriented oversight mechanisms