Organisation and Function: Reclaiming the Third Mandate in the Age of Grand Challenges

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Abstract

Calls for organizations to address grand societal challenges increasingly emphasise performance-oriented adaptation and organisational repurposing through new initiatives, metrics, and governance mechanisms. Yet this focus often neglects the more fundamental macro-structural role organisations play in society. Drawing on Niklas Luhmann's social systems theory, this paper reclaims the long-neglected "third mandate" of organization theory by distinguishing between performance, understood as system–system relations, and function, understood as system–supersystem relations. We argue that organisations respond to external performance expectations without altering their societal function, which consists in reducing and reproducing the alternativity that makes decision-making possible. Developing a set of propositions, we show when organisations are likely to translate social mandates into decision premises, when decoupled or symbolic compliance is more likely, and why state-induced repurposing can generate a fiscal paradox that undermines the very distinctions, including those between for-profit and non-profit forms, on which public finance depends. This perspective

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Keywords

Organisational repurposing; social systems theory; function-performance distinction; fourth mandate; fiscal paradox; grand societal challenges.

Introduction

Grand societal challenges—ranging from climate change and social inequality to public health crises—have thrust organisations onto centre stage in calls for large-scale problem-solving (Ferraro, Etzion, & Gehman, 2015; George, Howard-Grenville, Joshi, & Tihanyi, 2016; Gray, Purdy, & Ansari, 2022). Whether framed as corporate sustainability imperatives, stakeholder capitalism, or moral-ethical leadership responsibilities, a common thread runs through these appeals: Organisations should be principal agents of transformative change (Gümüsay et al., 2020; Gümüsay & Reinecke, 2022; Gümüsay & Reinecke, 2024; Stephan, Patterson, Kelly, & Ma, 2016; Wegener et al., 2025). These narratives resonate not only in public discourse but also increasingly within the academic community, where calls to tackle "grand challenges" by harnessing organisational capabilities have been embraced with a sense of urgency (Bansal & Song, 2017; Brunsson, Gustafsson Nordin, & Tamm Hallström, 2022). Yet for all their prominence, such imperatives can overlook a fundamental issue: While organisations clearly *perform* tasks in response to social and environmental demands, their basic *function* in relation to the macro-level social order remains under-theorized (Luhmann, 1995, 2013, 2018).

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Decades ago, sociologist Talcott Parsons (1956) positioned this macro-level perspective as the "third mandate" of organisational analysis, urging scholars to examine how organisations contribute to broader social structures beyond their day-to-day operations. Notwithstanding Parsons' early emphasis, Stern and Barley (1996) lamented that organisation theory gradually privileged micro- (internal decision processes) and meso-level (inter-organisational) research at the expense of investigating the larger social function of organisations. In the ensuing years, the proliferation of institution-centric, network-theoretic, and stakeholder-governance approaches (Bansal & Song, 2017; Brunsson, Gustafsson, & Tamm Hallström, 2022; DiMaggio & Powell, 1983; Meyer & Rowan, 1977; Powell et al., 2005) fortified an overwhelming focus on "performance"—that is, how organisations adapt to external expectations from other organisations and subsystems in their environment—in lieu of examining their formal or structural role in society at large (Mair & Seelos, 2021; Roth & Valentinov, 2023).

This conceptual drift carries practical consequences. By overlooking deeper questions of societal function, many discussions conflate organisational *performance* (the immediate responses to myriad pressures such as regulatory policies, ESG metrics, or stakeholder demands) with organisational *function* (the distinctive contribution organisations make for society as a whole). A prime example of this confusion surfaces in sustainability reporting and corporate social responsibility discourse: Firms seeking legitimacy through "green" credentials often appear to embrace transformative agendas, yet such changes frequently remain limited to operational or reputational performance adjustments.

A second and increasingly prominent trend is the emergence of what might be termed a "fourth mandate," wherein scholars and policymakers position organisations not merely as responsive to grand challenges but as *active architects* of societal transformation (Gümüsay & Reinecke, 2022, 2024; Schwoon, Schoeneborn, & Scherer, 2024; Seelos, Mair, & Traeger, 2023). This perspective urges organisations to assume direct responsibility for global issues—an outlook that sometimes takes the form of "mission-driven" entrepreneurship, philanthropic capitalism,

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or radical stakeholder governance frameworks (George et al., 2016; Mazzucato, 2020; Stephan et al., 2016). However, absent a robust conceptual distinction between *function* and *performance*, such exhortations risk overestimating the degree to which organisations can redefine their orientation to function systems like the economy, law, politics, science, or mass media (Bergthaller & Schinko, 2011; Luhmann, 1995, 2013, 2018). Organisations may certainly *signal* alignment with externally mandated missions and adapt accordingly (Andersen, 2003; Bansal & Song, 2017), but these shifts are often perceived as superficial calibrations, leaving their deeper functional orientation relatively untouched (Brunsson, 1993; Brunsson, 2002).

Accordingly, this paper makes a case for reclaiming the "third mandate" of organisation theory, shifting renewed attention to what organisations represent in macro-societal terms rather than merely how they relate to external expectations. We draw specifically on Niklas Luhmann's (2018) social systems theory to examine how organisations contribute to society beyond what they do for one another. Doing so requires a theory capable of conceptualising society as more than a background context. Niklas Luhmann's theory of functional differentiation offers precisely such a framework. Unlike mainstream organisational theories that tend to locate organisations in institutional fields or strategic environments, Luhmann's sociology observes society as a polycontextural system of differentiated functions like politics, economy, art, religion, or law. From this vantage point, organisations are not merely embedded in environments—they serve as crucial mediators between otherwise incommensurable societal functions. Luhmann's work thus uniquely supports a rearticulation of the third mandate: organisations are not just performers of tasks but structural couplers that help render a functionally fragmented society collectively operable. This makes his theory particularly apt for understanding not only what organisations do, but what they are—functionally—for society. In reintroducing this perspective, we challenge the general reluctance of management and organisation studies to "connect with larger, macro-theoretical frameworks" (Clegg, Grothe-

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Hammer, & Velarde, 2024, p. 4). We also address the persistent under-representation of systems theory within the field, despite its potential to serve as a viable bridge between management and organisation studies and broader sociological discourses (Clegg et al., 2024; Grothe-Hammer & Kohl, 2020; Schirmer, 2024). Finally, we demonstrate that performance-based adaptations—such as ESG reporting, sustainability or DEI initiatives, and socially responsible branding—do not necessarily amount to a redefinition of how organisations function within or 'for' society. Rather, organisations tend to translate external demands into their own internal decision structures (Andersen, 2003; Seidl & Becker, 2006). This insight has far-reaching implications: it helps explain why well-intentioned governance frameworks frequently fail to generate deep organisational transformation (Bansal & Song, 2017) and clarifies how political or moral agendas may inadvertently risk 'instrumentalising' organisations (Brunsson et al., 2022; Wapner, 2011).

In making this argument, the paper seeks to engage debates by offering both a sceptical intervention and a path forward. First, we claim that the conceptual conflation of function and performance obscures the true complexity of organisational adaptation, creating unrealistic assumptions about how organisations can be mobilised to solve grand societal challenges (Ferraro, Etzion, & Gehman, 2015; George et al., 2016; Wegener et al., 2025). Second, we suggest that a Luhmann-inspired approach to function systems offers more than a theoretical alternative: It provides a methodologically tractable framework for re-assessing how and why organisations adopt (or resist) new governance demands. Third, we propose a set of propositions that articulate when performance adaptations can be expected to remain superficial and when they might—under very rare conditions—precipitate deeper functional shifts (Seelos, Mair, & Traeger, 2023; Stephan et al., 2016).

By re-centring the concept of function, we aim to restore organisation theory's macro-societal lens and counterbalance a prevailing bias toward micro-level or performance-based analysis (Mair & Seelos, 2021; Stern & Barley, 1996). In so doing, we underscore that calls for an

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activist "fourth mandate" stand on shaky ground if we have not yet fully resolved the challenges entailed by the third.

The pages that follow unfold in four parts. First, we situate our argument in the longstanding conversation about Parsons' three mandates, explaining why the third mandate's neglect has exacerbated confusions about organisational purpose. Second, we introduce Luhmann's social systems theory—outlining the difference between function systems and organisations—and illustrate how conflating organisational function with performance leads to governance overload and unrealistic expectations. Third, we develop a series of propositions that delineate how organisations negotiate external pressures. Finally, we discuss the implications for researchers and policymakers who seek either to theorise or to steer organisations toward grand societal objectives and conclude by reflecting on how a revived focus on the third mandate realigns organisational scholarship with a more nuanced, robust, and ultimately feasible understanding of what organisations can and cannot achieve.

In calling for a renewed appreciation of organisations' macro-level function, we do not advocate disengagement from societal challenges, nor do we deny that organisations can and do adapt to new normative environments (Seelos et al., 2023). Rather, we caution that ignoring the deeper function–performance distinction risks burdening organisations with mandates they can neither refuse nor fulfil without compromising their autonomy—and that such confusion generates conceptual ambiguities across scholarship, management, and policy. Ultimately, clarifying the third mandate offers a stronger intellectual platform for understanding how organisations figure into—and at times, fall short of—our collective aspirations for transformative social change.

Theoretical background and literature review

This section revisits the evolution of organisational scholarship and demonstrates how the field's dominant theoretical lenses gradually marginalised the macro-level "third mandate." We

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further explicate how the rise of performance-centric frameworks—focusing on how organisations adapt to external expectations—largely displaced attention to the broader societal function of organisations. As we argue below, organisations do not only perform for other systems; they also fulfil a distinct social function by specifically reducing and generally reproducing alternativity at the level of society as a whole. In so doing, we position the concept of *function* as crucial for understanding why today's proliferation of social and environmental mandates so often leads to superficial rather than transformative organisational changes.

From Parsons' Three Mandates to Contemporary Organisation Theory

Organisation studies emerged, in part, from structural-functionalism, which sought to explain how different subsystems of society contribute to society as a whole. Parsons (1956) famously proposed that organisational analysis should attend to three interrelated mandates: first, the internal structure and processes of organisations, including decision-making, hierarchy, and coordination; second, the inter-organisational relations through which organisations navigate resource exchanges and institutional pressures; and third, the function of organisations within the overarching societal context.

Yet while the first and second mandates developed robust research traditions—represented by, for instance, structural contingency theory (Lawrence & Lorsch, 1967) and resource dependence theory (Pfeffer & Salancik, 1978)—the third mandate fell into relative neglect (Mair & Seelos, 2021). Stern and Barley (1996) diagnosed this oversight as reflecting broader trends in sociological inquiry, including specialization and methodological individualism, which inadvertently discouraged macro-level exploration. Consequently, organisation scholars, particularly those working within institutional theory (DiMaggio & Powell, 1983; Greenwood & Suddaby, 2006; Oliver, 1991) and network perspectives (Powell, White, Koput, & Owen-Smith, 2005), routinely studied how organisations respond to legitimacy pressures or coordinate

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within inter-organisational fields—yet rarely situated these phenomena in a systematic account of organisations' structural role within society.

A partial exception can be found in so-called "macro-institutional" analyses, which do link organisational forms to broader societal regimes (Friedland & Alford, 1991; Greenwood, Raynard, Kodeih, Micelotta, & Lounsbury, 2011). Nevertheless, many such studies still focus on performance relationship, analysing "populations of organisations" (Steele et al., 2021, p. 12) or describing how organisations strategically comply with or decouple from institutional demands (Bartley, 2007; Brunsson, 2002; Brunsson et al., 2022; Geissinger, Bromley, & Meyer, 2025; Westphal & Zajac, 1998). While illuminating the ways in which organisations strive for legitimacy in fields shaped by competing institutional logics (Pache & Santos, 2013; Thornton, Ocasio, & Lounsbury, 2012), these accounts seldom address how organisations contribute functionally to the macro-system of society (Bansal & Song, 2017; Grewatsch et al., 2023). That is, they explore *what* organisations do in response to external pressures rather than *why* a particular organisational form is necessary, or even indispensable, to the social order as a whole (Luhmann, 1995, 2013).

More recently, some scholars have revived interest in macro-level questions, particularly in debates about "grand challenges" (Ferraro et al., 2015; George et al., 2016; Gray, Purdy, & Ansari, 2015; Gümüsay, Claus, & Amis, 2020). Although their focus remains primarily on the role organisations play in *addressing* these challenges, they often tacitly assume that organisations can be *repurposed* for the greater public good (Bansal & Song, 2017; Besharov & Mitzinneck, 2023; Chua, Miska, Mair, & Stahl, 2024; Davis, 2009). Such accounts, while extremely valuable for highlighting organisational agency and strategic change, risk neglecting or misconceiving the structural embeddedness of organisations within differentiated social systems—what Luhmann (2018) would call the *system-supersystem* relation. As a result, the distinction between organisational performance and organisational function continues to blur in much of the discourse.

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The Underemphasis on the Third Mandate in Organisation Studies

The drift away from macro-level functional analysis and toward micro-/meso-level performance-centric theorising did not occur by accident. A confluence of intellectual and methodological shifts contributed to this turn. First, the increasing emphasis on empirical operationalisation and specialisation redirected attention towards phenomena that could be measured at the firm, business-unit, or field level (DiMaggio & Powell, 1983; Oliver, 1991). As quantitative research methods took centre stage, large-scale surveys and event-history analyses frequently centred on outcomes such as productivity, survival, or structural isomorphism, thereby crowding out less tractable concerns regarding the role of organisations in macro-societal stability (Bansal & Song, 2017; Grewatsch, Kennedy, & Bansal, 2023; Stern & Barley, 1996).

Second, the rise of governance and stakeholder theories further consolidated a performance-oriented focus. Beginning in the 1980s and 1990s, stakeholder theory (Freeman, 1984) and new governance perspectives (Brunsson et al., 2022) gained prominence, driven by the real-world proliferation of accountability and transparency mechanisms. These frameworks typically analyse how organisations *perform* vis-à-vis diverse constituencies—shareholders, regulators, NGOs, the public—rather than exploring how organisations function to maintain or shape broader social contexts.

Third, research on institutional logics and organisational change offered a partial bridge back to macro-societal questions (Friedland & Alford, 1991; Thornton, Ocasio, & Lounsbury, 2012). Yet the dominant emphasis has remained on how organisations juggle multiple, often conflicting, institutional orders (Greenwood, Raynard, Kodeih, Micelotta, & Lounsbury, 2011; Suddaby, 2010). Such work indeed illuminates *how* organisations adapt or resist, but typically

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without spelling out whether or how organisations fulfil a distinct function within society beyond their immediate performance.

Fourth, the increasing emphasis on managerial relevance and problem-solving orientation in leading journals has reinforced this trajectory. Management scholarship often presents itself as "relevant" by focusing on how firms can enhance performance or competitiveness under conditions of social pressure (Hoffman & Ocasio, 2001; Su, Gao, & Tan, 2024). While laudable, this emphasis can overshadow fundamental sociological questions. The impetus is on prescribing strategies for organisational adaptation rather than understanding organisations' structural mandates within the larger social system (Bansal & Song, 2017; Grewatsch et al., 2023).

Fifth, scholarship on hybrid organising has made important strides in examining how organisations navigate competing institutional logics, balance social and commercial objectives, and respond to legitimacy pressures (e.g., Battilana & Lee, 2014; Doherty, Haugh, & Lyon, 2014; Ebrahim, Battilana, & Mair, 2014; Santos, Pache, & Birkholz, 2015). However, this body of work typically treats hybridity as a question of organisational alignment with "purpose" or missions as defined by other organisations (such as governments or inter-governmental bodies like the United Nations)—thus reinforcing a performance-oriented frame. Taken together, these trends shaped an organisational studies landscape deeply invested in performance outcomes and legitimacy negotiations (Greenwood & Suddaby, 2006; Meyer & Rowan, 1977; Westphal & Zajac, 1998). As a consequence, the essential question of *why* organisations exist at a societal level—beyond simply orchestrating or responding to immediate environmental demands—often languished outside the mainstream conversation (Mair & Seelos, 2021; Parsons, 1956; Stern & Barley, 1996). Even attempts to theorise radical reforms, such as stakeholder capitalism or corporate activism, tend to view organisations through the lens of performance calibration, hypothesising that deeper normative shifts can be induced via incentives and regulation (Bartley, 2007; Chua et al., 2024). Recent work on wicked crises and

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organisational (in)capacity to act (Leixnering, Meyer & Doralt, 2022; Meyer, 2025; Meyer, Leixnering & Veldman, 2022) similarly demonstrates that contradictory, polycontextural expectations can disable coherent organisational action. Our argument complements these insights by tracing such incapacity not to behavioural or managerial failures but to the structural constraints of functional differentiation, which systematically generate unresolved tensions between societal logics.

Beyond the Performance-Dominant Paradigm

A hallmark of contemporary organisation studies is its focus on *performance orientation*. The assumption is that organisations can be re-engineered, rebranded, or restructured to accomplish external demands if only the right governance levers or accountability systems are in place (Bansal & Song, 2017; Seelos et al., 2023). While the performance perspective offers powerful analytical tools for explaining why organisations adapt, it often conflates two very different observational standpoints (Luhmann, 2013, p. 96):

"It must (…) be asked what possibilities there are for observing systems when subsystems form. For purely logical reasons, there are three possibilities: (1) observation of the overall system to which the subsystem belongs, (2) observation of other subsystems in the intrasocietal environment (or of other systems in the external environment), and (3) observation of the subsystem by itself (self-observation). To enable these various system references to be distinguished, I shall call observation of the overall system function, observation of other systems performance, and self-observation of a system reflection" (Luhmann, 2013, p. 96)

Against this background, the distinction between performance and function captures two fundamentally different ways in which organisations can be observed and evaluated. On the

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one hand, performance refers to system–system relations, that is, to the ways in which an organisation interacts with other organisations or subsystems within its environment. From this perspective, businesses render services to other businesses, universities comply with standards defined by accreditation bodies, and hospitals respond to governmental demands. On the other hand, function refers to system–supersystem relations, meaning how a particular type of system provides services not to other systems in its environment, but to the overarching system to which it belongs. In this sense, function concerns an organisation's contribution to the overall differentiation and stability of society.

From Mandates to System References: Mapping Parsons and Luhmann

Exploring the systematic link between Parsons and Luhmann can help illuminate the structural logic underpinning the three mandates of organisation studies. In particular, Luhmann's theory of social systems offers a powerful reformulation of Parsons' well-known triad—intra-organisational, inter-organisational, and organisation-society relations—by reinterpreting them through the lens of system referencing. Luhmann's typology of how systems relate to themselves and their environments—via reflection, performance, and function—resonates with and deepens the Parsonian schema.

To clarify this correspondence, Table 1 maps the three mandates of organisation studies onto Luhmann's three forms of systemic referencing. The first mandate, concerned with intra-organisational dynamics, aligns with the level of *reflection*, in which a system observes and maintains its internal operations. The second mandate, centred on inter-organisational relations, corresponds to *performance*, whereby systems relate operationally to other systems in their environment. The third mandate, which this paper seeks to recover, finds its counterpart in *function*, understood here as the system's contribution to its *supersystem*—society.

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Importantly, the term *function* in this context refers to the system-supersystem reference and should not be over-identified with Luhmann's broader theory of *functional differentiation* in society. Whereas functional differentiation addresses the internal differentiation of society into specialised subsystems (e.g., law, politics, economy), the functional reference here is analytical: it identifies how organisations observe themselves in relation to society as a whole. Thus, *function* as used in this tripartite schema (reflection, performance, function) designates a specific form of environmental orientation rather than a universal structural principle.

Reclaiming the Third Mandate: Toward a Function-Centred Perspective

The distinction between performance and function is crucial in this context, because failure to keep these concepts apart leads to "considerable semantic confusion", for example, if

"no distinction is made between performance and function for the economic system. The economy is then described as the extraction of materials from the natural environment and as the satisfaction of the needs either of people or of other functional systems of society. But this describes the performance of the system, not its function, which is to ensure future supply under conditions of scarcity. If these two concepts are confounded, the peculiar temporal reference of the economy becomes incomprehensible and the most ingenious invention of modern society, the money economy, comes to be described as 'materialistic'." (Luhmann, 2013, p. 96)

In many governance debates, the difference between these two lenses collapses (Davis, 2009; Ferraro et al., 2015). Performance metrics such as sustainability reports, diversity targets, or impact investing portfolios are touted as evidence of fundamental change, while, in practice, organisations continue to operate in alignment with their preexisting functional logics. This conflation perpetuates "governance overload" (Wapner, 2011), wherein organisations are assigned numerous mandates—such as solving climate change or alleviating global

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inequality—even though they remain structurally constrained by their core function. The resulting paradox is well documented: Organisations publicly celebrate compliance with progressive ideals yet maintain largely conventional operational models, generating cynicism among critics who see only surface-level adjustments (Brunsson, 2002).

Moreover, the field's fascination with "grand challenges" (George et al., 2016; Gray et al., 2015; Ferraro et al., 2015) reinforces a performance-dominant paradigm by presuming that these challenges can be solved if organisations mobilise effectively (Gray et al., 2022; Gümüsay & Reinecke, 2024). Such an orientation, while inspirational, can also obscure the differentiation of modern society that Luhmann (2018) describes: society comprises autonomous function systems, each with distinct binary codes and logics. Organisations, as decision-making systems, connect with multiple function systems but do not replace them (Roth & Valentinov, 2023). They can perform new tasks, but that does not automatically reorient their fundamental role in the macro-social order.

In contrast to the performance-dominant view, a function-centred perspective asks what problem or need an organisational type fulfils within the broader constellation of society (Parsons, 1956; Stern & Barley, 1996). For instance, business corporations fulfil the economic function of enabling ongoing resource exchange and generating profit within a market-based system (Luhmann, 2013). Universities serve educational and scientific functions, government agencies occupy the political function, focusing on governance through power, while non-governmental organisations often address philanthropic or advocacy functions that reflect moral or ethical discourses (Besharov & Mitzinneck, 2023; Will, Roth, & Valentinov, 2018). These roles cannot be swapped or wholly commandeered without undercutting the underlying functional rationale—no matter how persuasive the external impetus might be.

Yet this function-centred perspective is all too often missing from research that measures organisational responsiveness exclusively through performance yardsticks (Bansal & Song, 2017). By overlooking function, scholars and policymakers frequently overestimate

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organisations' capacity for wholesale change. As Luhmann (2013; 2018) puts it, external observers tend to confuse "performance" (the vantage of subsystems as they relate to other subsystems in their environment) with "function" (the vantage of how a subsystem contributes to the overall society). Absent a clear distinction, normative frameworks or sustainability standards (e.g., ESG; the UN's SDG) are taken as unproblematic scripts that organisations can readily adopt. Often, however, organisations incorporate these objectives only selectively, demonstrating alignment to secure legitimacy (Oliver, 1991; Weick, 1995), even while continuing to fulfil a core function that remains largely unaffected (Brunsson, 2002).

While a growing body of research now criticises tokenistic or superficial compliance (Westphal & Zajac, 1998), few studies ground their critique in a robust theoretical framework distinguishing performance from function. Instead, many rely on alternative constructs—such as "decoupling", "ceremonial adoption", or "greenwashing"—to capture the gap between formal policy and actual practice (Jauernig and Valentinov, 2019; MacLean & Behnam, 2010; Oliver, 1991). By reintroducing the concept of organisational function, we move beyond labelling such adaptations as "mere hypocrisy" (Brunsson, 2002) and illuminate the structural reasons why organisational forms may remain unchanged despite extensive new governance mandates.

Summary and Path Forward

Overall, our literature review underscores that while organisation theory has produced rich insights into how organisations adapt to institutional, stakeholder, and competitive pressures, it has paid far less attention to the macro-level question of *why* organisations exist in structurally differentiated societies—and *how* that overarching function shapes, and limits, their capacity for profound transformation. As scholars place increasing faith in "activist organizations" or "organizations as social innovators" to actively engineer "desirable futures" (Gümüsay &

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Reinecke, 2022, 2024) or "positive social change" (Stephan et al., 2016), the theoretical basis for expecting functional recalibration remains tenuous (Parsons, 1956; Stern & Barley, 1996). Put simply, the conflation of performance with function has left the field with an incomplete portrait of organisational possibilities.

We thus argue that a more balanced perspective—one that recognises both the importance of organisational performance adaptations *and* the deeper significance of organisational function—is vital for clarifying the realistic scope and limits of organisations' societal impact.

A Systems-Theoretical Framework: Distinguishing Organisational Function from Performance

Having established that organisation theory has tended to overemphasise "performance" (i.e., how organisations adapt to myriad external pressures) at the expense of "function" (i.e., their broader structural role in society), we now turn to a systems-theoretical perspective for conceptual clarity. Niklas Luhmann's (1995, 2013, 2018) work on social systems provides a rigorous basis for analysing the interplay between functional differentiation in modern society and organisations' self-referential decision-making. This perspective not only illuminates why organisations can incorporate new governance demands without necessarily altering their macro-level function, but also dispels the common assumption that organisations can be externally "reprogrammed" to deliver politically defined societal goals (Roth & Valentinov, 2023).

Organisations as Self-Referential Decision Systems

In systems-theoretical terms, organisations are not aggregates of individuals or goal-directed actors. Rather, following Luhmann (2018), organisations are defined as autopoietic (self-

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created and -maintained) systems of decision communication. Their basic operation consists in producing and linking decisions with decisions—a process through which the organisation reproduces itself over time. Thus, current decisions can relate to previous decisions as premises, which then constrain the range of future decisions, thereby creating a self-referential system that maintains its own boundary and identity through ongoing communication (Andersen, 2003; Blaschke, Schoeneborn, & Seidl, 2012; Grothe-Hammer, 2019; Schirmer, 2024; Seidl & Becker, 2006).

This "operational closure" (Luhmann, 2013) means that external factors—including political regulations, economic demands, or scientific truths—cannot directly determine organisational choices. This is because the code of organisational communication is not powerful/powerless, payment/non-payment, or un-/true, but merely decision/non-decision. This code underlies all organisational operations: to be processed by the organisation, a communication must be treated as a decision—that is, as a selection among alternatives. Consequently, even powerful regulatory mandates, serious economic pressures, or compelling scientific advances must be re-interpreted by the organisation in ways consistent with its own decision structures.

As mentioned above, these "decided structures" (Grothe-Hammer, 2022) take the form of decision premises—prior decisions that serve as orienting conditions for future ones. Luhmann (2005; 2018) identifies four primary types of such premises. First, *personnel or membership structures* pertain to decisions about who belongs to the organisation, who is authorised to decide, and which roles individuals may occupy. This includes hiring, appointments, task assignments, and exclusions. Second, *communication channels* determine which members participate in which communicative exchanges, thereby shaping how information flows through the organisation. Third, *decision programmes* define what constitutes an appropriate decision under specific conditions. These programmes may be: Purposive, goal-oriented ("If A is the goal, then choose B as a means to achieve it") or conditional programmes ("If X happens, then do Y"). Finally, *organisational culture* refers

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to "undecidable decision premises"—deep-seated traditions, narratives, habits, or institutional logics that are not themselves the object of regular decision, but shape how other decisions are made. Organisational culture functions as a repository of tacit preferences and path dependencies and they are the premises that resist change and tend to be invoked rather than questioned.

While all decision premises contribute to organisational self-reproduction, and "decisions and membership are the lowest common denominators for any type of organization system" (Schirmer, 2024, p. 291), it is decision programmes that play a particularly strategic role in linking organisations to their societal environment.

Modern Society as Functionally Differentiated

A central insight of social systems theory is that modern society is functionally differentiated (Grothe-Hammer & Rachlitz, 2025; Kaczmarczyk, 2024; Kim, 2024; Luhmann, 1995; Roth et al., 2018). Rather than being defined by local segmentation, dominant civilisational centres, or social stratification into castes or estates (as in earlier historical epochs), modern society differentiated into distinct function systems. For instance, the economic system functions around the binary code *payment/non-payment* "to ensure future supply under conditions of scarcity" (Luhmann, 2013, p. 96), while the legal system operates through *legal/illegal* distinctions, producing binding rules that stabilise expectations (Kjaer, 2010) and science operates the code of *true/untrue* to verify/falsify knowledge.

Each function system remains operationally autonomous: While external events may provoke responses, each system translates these events into its own code (Luhmann, 1995; Seidl & Becker, 2006), thus multiplying rather than dividing society into a pluriverse of function systems (Roth, Sales, & Kaivo-oja, 2017). This autonomy does *not* imply total independence—function systems may be structurally coupled (e.g., law and the political system through a

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constitution)—but this still does mean that no single system can simply absorb, govern, or replace the other.

In mainstream organisation theory, these function systems often appear only as "institutional pressures" or "institutional logics" (Friedland & Alford, 1991; Thornton, Ocasio, & Lounsbury, 2012). While such perspectives recognise the multiplicity of environments, they frequently focus on how organisations *perform* compliance, less on how organisations contribute *functionally* to society's overall differentiation (Stern & Barley, 1996). As a consequence, overarching questions—such as why certain organisational forms exist to fulfil particular societal needs—tend to be overlooked (Luhmann, 2018; Parsons, 1956).

Decision Programmes as Interfaces to and between Function Systems

As we have seen, decision programmes are decision premises that define what constitutes an appropriate decision in relation to either the conditions or the goals of decision-making. They are the organisation's internal mechanisms for converting external complexity into decidable alternatives—and thus serve as the principal interface between organisations and the functionally differentiated environment.

Whereas, "function" refers to a system's contribution to society as a whole, the concept of "code" refers to the binary distinction structuring the communication within function systems (e.g., science: true/untrue; economy: payment/non-payment). By contrast, the code of organisational communication is decision/non-decision. Based on this code, decision communication can refer to the code, or combinations of code, of any function system, depending on what is deemed relevant in a given context. As such, organisations are structurally open to a wide range of function systemic references—that is, references that become observable and operative precisely through their decision programmes. For example, a hospital may use a decision programme such as *"If illness, then treatment"*—referencing the health

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system's code (healthy/ill). A for-profit clinic, however, may alter this to *"If payment, then treatment"*—introducing a reference to the economic code (payment/non-payment). A university may apply *"If research is true and innovative, then publish"*—referencing the science system's code (true/untrue) as well as that of the mass media system. The same university may also use *"If research can legally be patented, then commercialise"*—now combining scientific, legal and economic logic.

In each case, the decision programme reveals which function system(s) are being selectively referred to in the course of internal decision-making. The programme operationalises a specific systemic logic, often in combination with others, and structures the organisation's response to environmental demands.

Alternativity: From Undecidability to Decision

A central implication of understanding organisations as systems of decision communication is that every organisational operation presupposes and reproduces alternativity.

For Luhmann (2018), decisions are "compact communications": they communicate a selection among alternatives and, by doing so, indicate that the selected option could have been otherwise. Decisions therefore do not eliminate alternatives; they presuppose and recreate them. Even a simple decision implicitly points to at least one other option that was available but not chosen. In this sense, organisations continually generate the very horizon of alternatives they must navigate, and thus further need for decision.

To clarify the conceptual distinctiveness of alternativity, it is useful to distinguish it from contingency, the well-known "Eigenwert" of modernity. Contingency denotes an epistemic condition: the awareness that things could be otherwise (Luhmann, 1995). Alternativity denotes an operational condition: the existence of concrete, selectable options that make decision-making possible. Contingency without alternativity yields paralysis;

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alternativity without contingency collapses into rule-following. Organisations manage this condition: they convert contingency into structured alternatives that can support further decisions.

This transformation depends on the presence of undecidable situations. As von Foerster (2003, p. 293) famously noted, "only those questions that are in principle undecidable, we can decide." Decisions are therefore necessary only when available options are incommensurable, meaning that no shared metric exists to determine the superior choice. If a rational actor must choose between one kilo of gold and one kilo of silver, or a law-abiding citizen must choose between a legal and an illegal strategy, then the "decision" between the two option is merely the application of a rule, not a genuine decision. In contrast, choosing between a rich but unattractive partner and a poor but beautiful one is in principle undecidable as the categories of wealth and beauty are incommensurable. It is precisely the absence of a unifying standard of commensuration that makes a decision both necessary and contingent.

Functional differentiation generalises this situation across society. Modern society consists of multiple autonomous function systems, each organised around its own binary code. These codes are mutually incommensurable: no universal standard exists to assert that legality always outweighs profitability, that scientific truth is always more important than political legitimacy, or that religious meaning should always trump economic efficiency. Functional differentiation therefore provides society with a continuous supply of undecidable questions.

Organisations are the primary sites where such undecidable questions become provisionally decidable. Unlike function systems, organisations operate with the code decision/non-decision. This gives them the unique capacity to translate incommensurable functional logics into decisions. A hospital deciding whether to treat a patient who cannot pay or a university weighing scientific merit against political funding priorities both illustrate how organisations convert incommensurable systemic logics into selectable alternatives. By deciding,

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organisations not only resolve an instance of undecidability but also generate new alternatives that inform and require subsequent decisions.

Seen in this light, the provision and management of alternativity is not a side effect of organisational operations but their societal function. Functional differentiation alone produces undecidability; only organisations can turn undecidability into alternativity—that is, into structured possibilities for decision. Organisations reproduce the alternatives that allow society to remain capable of acting under conditions of (functional) polycontexturality. This perspective also explains why organisations often integrate external expectations only to the extent that such expectations can be accommodated within their ongoing reproduction of alternatives. Attempts to impose singular external purposes—whether through political mandates, sustainability standards, or market incentives—may fail or backfire when they threaten this underlying functional contribution.

In the next section, we build on this insight to clarify the distinction between organisational performance and organisational function within a functionally differentiated society. This conceptual clarification prepares the ground for the propositions that follow.

Performance and Function of Organisation in a Functionally Differentiated Society

The preceding examples illustrate that decision programmes are the primary means by which organisations refer to the function systems of a functionally differentiated society. However, the mere reference to function systems does not explain what role an organisation, or organisation more generally, plays with regard to other systems or society as a whole.

In what follows, we therefore revisit the three forms of system reference as presented in Table 1—reflection, performance, and function—which we related to their corresponding organisational processes and outcomes (see Table 2). These concepts also clarify why governance regimes for grand societal challenges—such as climate change, sustainability, or

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equity mandates—tend to produce performance-level adaptations without affecting organisational function.

From the reflection perspective, organisations are seen as autopoietic systems of decision communication. This perspective focuses on the organisation's internal logic, its own rules of continuity, and its ongoing reproduction through the interplay of decision premises.

The performance perspective shifts attention to the organisation's relations with other systems in its environment. Here, organisations appear as communicative addresses responding to or influencing external expectations. They do so primarily by providing decision programmes that enable other systems—clients, funders, regulators, partners—to orient themselves. Performance thus concerns inter-systemic communication: the ability of organisations to become reference points for others by offering structured, selectable, and legitimisable outputs.

Finally, in Luhmannian terms, the concept of function pertains to a system-supersystem relationship. In an organisational context, function refers the organisation's contribution to the encompassing system to which it belongs, and thus to society as a whole. From this perspective, the key societal function of organisation lies in enabling society to reduce and reproduce alternativity under conditions of functional differentiation—that is, to maintain the possibility of decision despite the dissonance of systemic logics.

Taken together, the three perspectives highlight that organisations are not merely execution mechanisms for predefined goals or externally imposed mandates. Rather, they translate incommensurable logics into provisional decisions, shape communication across functional boundaries, and stabilise expectations in an environment without a supreme system rationality. This triadic lens also helps clarify a frequent misunderstanding in both policy and management discourses: to interpret performance adaptations as functional transformations. As Table 2 makes clear, performance pertains to how an organisation is seen and judged in system–system relations; function, by contrast, defines its enduring societal role in enabling decision-making

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across function system boundaries and the reproduction of a horizon of alternatives that makes further decision-making necessary and possible. This distinction therefore raises a further question: what are the consequences of conflating performance with function in current governance debates?

Why the Distinction Between Performance and Function Matters

In contemporary debates, the conflation between performance and function leads to conceptual and practical overreach. Policymakers, activists, or academics who seek to "repurpose" corporations, universities, and nonprofits as direct solutions to complex social crises inadvertently impose performance mandates that can clash with, but rarely supplant, an organisation's deeper functional commitments (Gray et al., 2022; Gümüsay et al., 2020). Studies of symbolic compliance (Westphal & Zajac, 1998), ceremonial adoption (Meyer & Rowan, 1977), and greenwashing (Wren Montgomery & Robertson, 2026) repeatedly illustrate how organisations satisfy external observers while retaining their structural orientation. Systems theory clarifies why: from the vantage of societal function, organisations cannot simply exit their primary societal function—no matter how ambitious external governance frameworks might be.

One strength of Luhmann's view is therefore its account of how organisations can *simultaneously* reference multiple function systems (Luhmann, 2018). A research-oriented university, for example, draws on scientific logic (producing reliable knowledge) while also referencing economic logic (funding, patents), political logic (public funding, regulatory compliance), and even legal logic (accreditation, liability issues). This multifunctionality allows the university to navigate a complex environment while retaining the educational and scientific function as its core identity.

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Problems arise, however, when external stakeholders conflate "participation" in multiple systems with a fundamental functional change. The push to measure universities by social impact or to assign them direct responsibility for solving climate change might yield new performance metrics (Fuchs, Bombaerts, & Reymen, 2023; Heath & Waymer, 2021). Yet unless these metrics are integrated in a manner that redefines the institution's core function (knowledge creation and dissemination), most changes will remain surface-level. Similarly, a corporation that references philanthropic or humanitarian codes (through philanthropic foundations or corporate volunteering) continues to serve the economic function unless it fully abandons profit-seeking as its primary orientation.

Hence, from a systems-theoretical standpoint, an organisation's capacity to "span" multiple function systems may be broad, but the underlying function remains stable unless the organisation truly renegotiates its primary anchor.

Types of organisations by functional anchoring

The capacity to span multiple function systems does not apply uniformly across organisations. To specify how organisations vary in their functional anchoring—and thus how they respond to repurposing pressures—we distinguish four types: monofunctional, multi-referential, polyphonic, and multifunctional organisations.

Monofunctional organisations orient their core decision premises consistently towards a single function system (Schirmer & Michailakis, 2015, p. S76). Their structures, programmes, and personnel expectations are calibrated to one dominant functional code. Although other references may appear in debates, they rarely become stable decision premises. Monofunctional organisations therefore display strong functional clarity, stabilising identity but limiting the range of functional alternativity they can sustain.

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Multi-referential organisations remain anchored in one function system but regularly incorporate additional functional references in their decision premises (Apelt, Besio, Corsi, von Groddeck, Grothe-Hammer, & Tacke, 2017; Tacke, 2001). Such organisations operate with a functional hierarchy: one function remains primary while others are selectively mobilised as constraints or resources.

Polyphonic or heterophonic organisations are exposed to multiple functional references without a stable hierarchy or clear rules of prioritisation (Andersen, 2003; Andersen & Born, 2007). Different units or coalitions may alternately invoke economic, political, legal, or moral codes, none of which achieves lasting dominance. Rather than producing stable multifunctionality, this configuration generates ongoing struggles over which functional criteria should guide decisions. While such polyphony may enhance experimentation and problem sensing, it also renders organisational identity and expectations fragile.

Multifunctional organisations, by contrast, explicitly recognise that organisations can relate to multiple function systems and embed several functional logics within their structures and programmes (Roth, Schwede, Valentinov, Pérez-Valls, & Kaivo-oja, 2020; Roth, Valentinov, Kaivo-oja, & Dana, 2018). Instead of merely juggling references, they structurally organise the reproduction of multiple functional logics within the same organisational arrangement. This requires elaborate differentiation and boundary work to prevent functional codes from collapsing into one another; otherwise, organisations tend to revert to dominance by a single function or drift into polyphony.

This typology clarifies how organisations engage with grand societal challenges. Monofunctional and multi-referential organisations may expand their performances—for instance through sustainability initiatives—while leaving their functional anchoring intact. Polyphonic organisations may appear highly adaptive yet struggle to offer reliable performances to other systems. Multifunctional organisations promise broader transformative capacity but face persistent tensions in sustaining multiple functional logics. The remainder of

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the article uses this typology to analyse how organisations generate, constrain, and reconfigure alternativity in the context of grand challenges and what this implies for expectations of organisational "repurposing".

Summary and Transition to Propositions

In sum, Luhmann's social systems theory reclaims Parsons' third mandate by precisely differentiating between organisations' performance (the "service" they render to other systems, including other organisations, for which they offer programmed choices) and organisations' function (their role in reducing and reproducing alternativity for society as a whole).

The distinction between performance and function can now be reinterpreted through the lens of alternativity. Performance adaptations alter how organisations appear to other systems, including other organisations, whereas function concerns how different types of organisations manage and maintain or expand the supply of alternatives in society. The propositions that follow examine when external pressures compress, overload, or realign this reduction and reproduction of alternativity.

By articulating these propositions, we aim to offer a more robust and nuanced framework for understanding organisational adaptation and, crucially, for distinguishing superficial performance shifts from function-level transformations.

Propositions: Distinguishing superficial performance shifts from functional reorientation

Having outlined a systems-theoretical lens on the function–performance distinction, we now advance a set of propositions designed to clarify under what conditions organisations merely adapt their *performance* for external legitimacy and when—if ever—they move toward a more fundamental shift in *function*. While Luhmann's (1995, 2013, 2018) theory is often regarded as primarily descriptive, we propose that it can generate analytically rich statements that scholars

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might operationalise and test in empirical contexts. Specifically, these propositions help delineate how the structural constraints of functional differentiation shape (a) the scope of organisational responses to new governance demands, and (b) the likelihood that organisations will undertake more radical realignments.

We emphasise that because organisations are self-referential systems (Blaschke, Schoeneborn, & Seidl, 2012; Grothe-Hammer, 2019; Grothe-Hammer, 2022) related to one or more function systems, deep transformation entails more than adopting new decision premises; it would require altering the organisation's macro-level role in society (Roth & Valentinov, 2023). As a corollary, well-intentioned reforms—such as sustainability initiatives, socially responsible governance, or stakeholder-driven mandates—tend to produce superficial or incremental changes, unless they align with, or forcibly supplant, both their underlying mode of operation and their function. We propose three interrelated propositions to clarify these dynamics. These propositions help clarify not only the structural limits of organisational change but also why responses to grand societal challenges so often manifest as symbolic performance adaptations rather than purpose- or functional transformations.

Proposition 1: Performance Inflation and Functional Erosion

Proposition 1*: The more organisations inflate their performance claims across multiple function systems (e.g., economic, environmental, political), the more their core function risks becoming unintelligible to relevant audiences.*

Rationale: In a functionally differentiated society, organisational legitimacy often hinges on clear and recognisable references to specific systemic logics—such as truth in science, power in politics, or payment in the economy (Kjaer, 2010; Luhmann, 2013). Organisations that attempt to maximise relevance across multiple external audiences by showcasing their

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performance in domains far beyond their anchoring function/s may blur these references, resulting in diminished recognisability and legitimacy from their primary audience. This phenomenon has been described in institutional theory as mission drift or identity dilution (Ebrahim et al., 2014; Whetten, 2006), where hybrid (Battilana & Lee, 2014; Battilana, Sengul, Pache, & Model, 2015; Doherty et al., 2014) or multifunctional (Roth et al., 2018) organisations risk losing clarity about *what they are for*. Systems theory frames this differently: the inflation of performance claims amounts to a semantic overload on decision programmes, in which too many references to too many function systems obscure the organisation's core logic. Such overload leads to "functional erosion," as the organisation's decisions can no longer be consistently coded, interpreted, or trusted within the logic of its original function system. Superficially, this inflation may appear as responsiveness or modernity—claiming to serve environmental justice, social equity, economic growth, and scientific rigour simultaneously. But structurally, it can amount to semantic incoherence: the inability to maintain consistent decision premises anchored in a dominant code (e.g., true/untrue in science), which is a prerequisite for continued coupling with a function system. In terms of alternativity, performance inflation burdens organisations with contradictory evaluative demands that reduce their capacity to reproduce coherent alternativity; when every decision is framed as simultaneously economic, political, environmental, and moral, the organisation's horizon of actionable choices becomes unintelligible. These dynamics are particularly visible in organisational responses to grand societal challenges, where proliferating sustainability, equity, and climate imperatives frequently generate contradictory evaluative demands that organisations can process only symbolically.

This dynamic is particularly visible in multi-referential and polyphonic organisations. In multi-referential organisations, proliferating performance expectations—for instance around ESG, rankings, or stakeholder value—can gradually overshadow the primary functional code that once organised decision premises. In polyphonic organisations, performance inflation

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exacerbates already fragile priority rules between competing functional references, making it increasingly unclear to internal and external audiences which function the organisation is actually serving. By contrast, monofunctional organisations may resist performance inflation more effectively, but often at the cost of appearing unresponsive to new societal demands.

In this sense, our argument does not displace but rather reframes insights from research on hybrid organisations. Hybrid studies show how organisations combine and manage multiple institutional logics, often in response to grand societal challenges. Read through the present framework, many of these hybrids can be understood as multi-referential or polyphonic organisations that experiment with performance-level combinations of different logics while remaining functionally anchored in one dominant system. The distinction between performance and function helps explain why some hybrids yield durable expansions of alternativity, whereas others produce only temporary or symbolic adjustments. It also suggests that the limits of hybridisation are not merely managerial, but follow from the difficulties of sustaining genuine multifunctionality under conditions of functional differentiation.

***Illustrative Example**:* A university that publicly asserts its commitment to scientific excellence, entrepreneurial innovation, political relevance, sustainability leadership, and social inclusion may initially attract broad-based support (Tuunainen & Kantasalmi, 2024). However, over time, this multiplicity of commitments may confuse its primary audiences—particularly scientists and scholars—who struggle to discern whether research quality or broader impact now constitutes the main selection criterion. When a university's research output is increasingly assessed in terms of funding potential, policy uptake, or media visibility, rather than peer-reviewed knowledge production, it risks being decoupled from the scientific function system. The outcome is not greater societal relevance but reduced epistemic trust and diminished functional clarity—ironically impairing the very legitimacy the university sought to maximise.

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Proposition 2: The Paradox of Over-Alignment

Proposition 2: *When organisations over-align with the performance expectations of a single dominant external system or "ecosystem", such as a state, they risk undermining their core societal function: the reduction and reproduction of alternativity.*

Rationale: In a functionally differentiated society, organisations promote and translate heterogeneous systemic logics. The alignment of these translations with a broad range of idiosyncratic organisational purposes sustains the diversity that defines modernity as a *society of organisations* rather than an *organised society*. If one particularly dominant organisation were capable of successfully aligning all others with its own purpose, this diversity would be reduced to the point where organisations cease to reproduce *alternativity*—the very precondition of decision-making—and thereby undermine both their own mode of operation and their societal function. Over-alignment thus narrows the range of legitimate alternatives an organisation may consider, thereby diminishing its contribution to societal alternativity. These pressures intensify in the context of grand societal challenges, where governments and other dominant systems frequently promote unified, top-down solutions under an atmosphere of supposed alternativelessness and urgency that, "naturally", reduces the communicative space for reproducing alternatives.

Illustrative Example: Consider an institution of higher education system where national governments increasingly impose performance mandates aligned with political priorities—such as sustainability or DEI—on universities. These institutions, in response, restructure curricula, hiring policies, and evaluation metrics to fully align with these state-defined goals. While

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initially enhancing legitimacy and resource access, this over-alignment gradually suppresses alternative forms of inquiry, critical thought, and disciplinary diversity—undermining the university's function of fostering epistemic variation and critical reflection. Paradoxically, the very decisions that make universities appear "relevant", "purpose"-driven, and "impactful" to political agenda-setters and decision-makers erode their ability to produce alternative futures, dissenting perspectives, or paradigm-challenging knowledge. In this way, over-alignment with governmental performance expectations may ultimately destroy the basis upon which both universities and societies depend: the reproduction of meaningful alternatives.

Proposition 3: The Fiscal Irony of Successful Repurposing

Proposition 3: *The more successfully a state aligns for-profit organisations with non-economic public purposes, the more it erodes the fiscal distinction between for-profit and non-profit organisations on which the state's own revenue capacity depends.*

Rationale: From a systems-theoretical perspective, the state is one organisation among others (Roth & Valentinov, 2023)—though a particularly powerful on that uses its monopoly on violence, inter alia, to extract fiscal revenues from predominantly economically-oriented organisations. When the state successfully enjoins corporations to adopt public or non-profit purposes, then it would paradoxically disable the state's ability to differentiate between profit-seeking and "purpose"-seeking entities. This, in turn, would undermine its criteria for legitimate taxation of the former for-profits turned non-profits. In essence, a state that fully achieves the repurposing of for-profit entities becomes unable to justify treating them differently from tax-exempt organisations, thus collapsing the fiscal distinction on which its own operations depend. A state that collapses the distinction between for-profit and non-profit purposes thereby also

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constricts the alternativity produced by firms—reducing organisational diversity and, over time, the spectrum of alternatives available for societal decision-making.

Illustrative implication: A corporation that fully internalises climate governance, social redistribution, and public accountability may come to resemble a public or charitable institution in everything but legal form. If such transformation were genuine and widespread, the rationale for taxing such entities differently from traditional non-profits disappears—leaving the state with a political victory and a financial defeat.

Taken together, the three propositions—on performance inflation, over-alignment, and the fiscal irony of repurposing—highlight structural tensions that shape how organisations navigate external expectations. They invite a re-examination of legitimacy, alignment, and commensuration (Elena, Begkos, Mouritsen, & Kornberger, 2025; Espeland & Yung, 2019) through a systems-theoretical lens that is attentive to functional differentiation and the limits of performance adaptation. Before concluding, we explore how these insights recalibrate debates on governance, autonomy, and the societal role of organisations.

Discussion

The analysis advanced here reframes debates on organisational repurposing by foregrounding functional differentiation as a structural constraint on organisational change. Rather than treating performance adaptations as evidence of transformation, the propositions developed in this paper specify the conditions under which repurposing pressures remain superficial and when they risk generating paradoxical or counterproductive effects. In doing so, the paper contributes to organisation studies in three respects: it clarifies the unintended consequences of performance-based alignment strategies, rearticulates organisations' societal function as the

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reproduction of alternativity, and restores Parsons' neglected third mandate as a macro-theoretical anchor for the field.

Viewing organisations as reproducers of alternativity clarifies why governance reforms anchored in singular purposes (sustainability, equity, competitiveness) often fail to generate substantive change. Organisations maintain their societal function by keeping open a horizon of decidable alternatives under conditions where functional systems generate undecidable contradictions. This function cannot be replaced by performance mandates aligned with one privileged logic, whether scientific, political, or economic. These dynamics are amplified in the context of grand societal challenges, whose multidimensional and polycontextural nature reinforces precisely the kinds of contradictory expectations that overburden organisational performance without altering their function

Seen through this lens, contemporary grand-challenge agendas exemplify the limits of performance-based steering. Climate change, social inequality, or public-health crises each activate competing functional logics—scientific, political, economic, legal—for which there is no universally shared evaluative standard. Organisations confronted with such mandates must therefore process grand challenges through their decision premises rather than through hierarchical goal-alignment. This explains why many GC-oriented reforms manifest as performative compliance or reporting innovations rather than as deep functional shifts.

Governance without Function: Why Stronger Mandates May Yield Weaker Organisations

Much of the contemporary literature and policy practice assumes that organisations can be "repurposed" through stronger performance mandates—whether framed in terms of sustainability, equity, or planetary responsibility (Bansal & Song, 2017; Chua et al., 2024; Ferraro et al., 2015; Seelos et al., 2023). But as *Proposition 1* suggests, organisations attempting to maximise performance across too many domains risk semantic incoherence and

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a loss of functional intelligibility. When universities or firms attempt to perform simultaneously across too many domains, their functional intelligibility may erode. (Ebrahim et al., 2014; Tuunainen & Kantasalmi, 2024; Whetten, 2006). Paradoxically, stronger performance narratives to reconcile conflicting demands (Crilly, Zollo, & Hansen, 2012) may thus erode the very legitimacy they seek to bolster.

Similarly, *Proposition 2* warns that over-alignment with the expectations of one particularly dominant system—such as a government or state—undermines the diversity of systemic references that organisations require to function. Functionally differentiated societies depend on organisational heterogeneity—on the capacity to translate and negotiate multiple systemic codes rather than subordinating them to a single hegemonic logic (Roth et al., 2018; Kjaer, 2010). Mandated repurposing initiatives undermine organisationality when they replace a horizon of possible decisions with a pre-defined singular purpose.

Finally, *Proposition 3* identifies a fiscal paradox at the heart of many repurposing efforts: a government that succeeds in repurposing for-profit organisations into quasi-public entities also erodes the fiscal distinctions that justify taxing such entities differently from non-profits. The outcome is not just mission confusion but fiscal self-undermining. The more successful the repurposing, the less the government can claim a differentiated organisational form capable of funding its own operations.

Taken together, the propositions clarify the structural limits of performance-based steering under conditions of functional differentiation and identify the conditions under which repurposing pressures either narrow or expand societal alternativity.

Function-aware climate engagement: corporations, universities, NGOs, states, and social movements

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To illustrate these implications, consider climate engagement across different organisational forms. A function-aware perspective does not ask whether organisations are "for" or "against" climate action, but how their decision premises are anchored in particular function systems and what forms of alternativity they can credibly sustain.

Corporations, anchored in the economic function system, shape climate futures by reorganising investments, pricing structures, and innovation pathways such that low-carbon options might become economically viable. They can expand or contract the spectrum of economically feasible climate trajectories, but they cannot be expected to prioritise political or scientific goals over the economic criteria that structure their decisions *as corporations*.

Universities, anchored in science and education, might contribute by generating epistemic alternativity—competing models, contested scenarios, and critical inquiry— rather than by subordinating inquiry to externally defined political priorities (Roth et al., 2026). States, anchored in politics, stabilise expectations across systems by setting legal and fiscal frameworks, yet their capacity depends on preserving differentiation between political authority and economic value creation.

A function-aware account thus specifies distinctive but bounded contributions. Organisations can expand or narrow the horizon of climate alternatives, but they do so within functionally structured limits. Recognising these limits is not an argument for resignation; it is a precondition for articulating realistic yet ambitious expectations about organisational engagement under conditions of functional differentiation.

Practical Implications: Recalibrating Governance and Expectation

The propositions developed here resonate with longstanding concerns in the literature on hybrid organisations and social enterprises, including mission drift (Ebrahim et al., 2014), competing institutional logics (Pache & Santos, 2013), and stakeholder narratives used to manage external

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tensions (Crilly et al., 2012). Our systems-theoretical reframing complements this work by specifying the macro-sociological conditions under which such phenomena arise—not as failures of coordination, but as consequences of functional differentiation. In doing so, it extends research on hybrid organising (Battilana & Lee, 2014; Doherty et al., 2014) and analytically reframes typologies such as Billis's (2010) societal triangle by shifting attention from ownership or revenue models to the functional anchoring of organisational decision premises. Rather than contradicting institutional complexity or hybridity perspectives, our framework identifies the structural conditions that generate the symptoms these literatures describe.

The analysis also points toward a more functionally informed governance logic. Policies that resonate with an organisation's functional anchoring—such as supporting scientific inquiry rather than prescribing political outcomes—are more likely to yield stable change (Besharov & Mitzinneck, 2023). Conversely, governance overload through overlapping and contradictory mandates risks semantic dilution and symbolic compliance (Brunsson, 2002; Wapner, 2012; Westphal & Zajac, 1998). This diagnosis aligns with research on wicked crises and organisational (in)capacity to act (Leixnering, Meyer & Doralt, 2022; Meyer, 2025; Meyer, Leixnering & Veldman, 2022), which shows how polycontextural expectations can disable organisational action by undermining the structural premises of coherent decision-making. Organisational incapacity, in this view, reflects systemic strain rather than managerial failure. Effective governance therefore operates not by overriding organisational purpose, but by constructing translations that resonate with it.

From Organised Societies to a Society of Organisations: A Renewed Third Mandate

Contemporary aspirations to mobilise organisations for social transformation often assume that organisations can serve as vehicles of centralised political purpose or coordinated societal

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planning (George et al., 2016; Gray et al., 2022; Seelos et al., 2023). Yet in a functionally differentiated society, organisations contribute not by implementing a single dominant logic, but by translating heterogeneous functional codes into locally decidable premises (Luhmann, 2018; Roth et al., 2018). Their societal role lies in reducing and reproducing alternativity: converting polycontextural complexity into structured choices that keep multiple futures open. A society of organisations differs from an organised society precisely in this respect. It preserves pluralism not through hierarchical coordination, but through distributed decision structures that sustain differentiated references to truth, money, law, and legitimacy. Efforts to repurpose organisations as instruments of singular missions—however normatively compelling—risk suppressing the very structural conditions that make societal transformation possible.

Re-centring *function* within organisation theory requires distinguishing short-term performance adaptations from deeper societal transformations. Calls for a *fourth mandate*—where organisations actively engineer "desirable futures" (Gümüsay & Reinecke, 2022, 2024) or "positive social change" (Stephan et al., 2016)—risk overlooking this distinction and assigning unrealistic responsibilities (Seelos et al., 2023). Rather than acknowledging that an organisation's function is shaped by its relationship to selected function systems (Luhmann, 2013, 2018), such agendas often focus narrowly on performance metrics: ESG scores, impact investing, or sustainability initiatives (de la Cruz Jara et al., 2024).

The propositions developed in this article instead clarify the structural conditions under which organisations can integrate new expectations without eroding functional coherence (Greenwood & Suddaby, 2006; Oliver, 1991). Taken together, they shift the normative centre of gravity in debates on repurposing. Rather than asking how organisations can best realise externally articulated purposes, the more fundamental question concerns how they sustain the structural conditions that make decision-making possible at all. In a society marked by incommensurable functional logics, organisations do not solve complexity by eliminating it; they stabilise it by

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rendering it locally decidable. It is this capacity—to translate, combine, and provisionally resolve heterogeneous expectations—that constitutes their distinctive societal contribution.

To reclaim a meaningful third mandate, organisation theory must therefore turn its attention to the societal function of organisations as producers and reproducers of alternativity. Only then can we properly understand not just what organisations can do for "us", but why society "as a whole" needs them in the first place.

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Tables

Table 1

Mapping Parsons' three mandates of organisation studies onto Luhmann's three system references in social systems theory

Parsons		**Luhmann**	
Mandates of OS	***Focus***	***System references***	***Focus***
First Mandate	Intra-organisational relationships	Reflection	Intra-systemic relationships
Second Mandate	Inter-organisational relationships	Performance	System-system relationships
Third Mandate	Organisation-society relationships	Function	System-supersystem relationships

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Table 2

Organisational reflection, performance, and function: A systems-theoretical distinction

Organisation *System references*	*Core Process*	*Focus*	*Outcome*	*Illustrative Example*
Reflection	Chaining decisions with decisions	Intra-systemic	Continuity: Organisational self-reproduction and identity-formation via recursive decision-making	A hospital's ethics committee repeatedly revises its triage guidelines based on earlier cases and prior decisions, stabilising what counts as an acceptable trade-off in emergencies.
Performance	Providing decision programmes to external systems	Inter-systemic	Orientation: Enables other systems to adjust their operations to provided decisions.	A university publishes standardised ESG and impact reports that funding agencies and accreditation bodies can directly use to assess compliance with sustainability and diversity requirements, thereby enabling these external organisations to make grant-allocation, ranking, and accreditation decisions.
Function	Translating incommensurable systemic logics into decidable alternatives	System-supersystem	Alternativity: Reproduces the societal capacity to decide across incommensurable logics; maintains operability in a	A public hospital deciding whether to allocate scarce intensive-care capacity based on medical urgency (health system), legal liability (law), budget constraints (economy), and political directives (politics), thereby converting

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polycontextural society.

fundamentally incommensurable criteria into systems of decision.

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