Proceedings of the 25th Annual Conference of the International Association for Business and Society (IABS)

THEME: Reclaiming the Societal Dimension

Sydney, Australia
June 19-22, 2014

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ISBN: 978-0-9910867-0-2

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The IABS 2014 Proceedings contains 35 papers and other materials that were presented at the Twenty-Fifth Annual Conference of the International Association for Business and Society, held in Sydney, Australia, June 19-22, 2014.

In order to assist you in using and advancing the research included in this Proceedings, published pieces are organized the following categories:

- Business Ethics and Ethical Leadership (including property rights, social justice, and values)
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- Environmental Management and Regulation (including environmental quality, pollution control, environmental stewardship)
- Sustainability and Sustainable Development
- Social Entrepreneurship and Social Enterprise (including social investing)
- Governance Issues (including international governance regimes, legal standards, and comparative governance)
- Stakeholder Issues and Theory (including perceptions of reputation)
- Teaching and Learning

The category appears at the top of the fist page of each published piece. Similarly, articles focused on the conference theme **Reclaiming the Societal Dimension** are indicated as such on the first page of each article.

Information on Conference participants and on the IABS leadership is located in the final pages of the document; in this way, we assure that published manuscripts contained herein will appear first on database listings. Databases facilitate searching by keywords, author names, dates of publication, and so forth.

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> Crane, A., Husted, B.W., Bapuji, H., and Derry, R. 2014. In C. Higgins and J.R. Hendry (Eds.), *Proceedings of the Twenty-Fifth Annual Conference of the International Association for Business and Society*, p. 1-7.

Business Ethics &
Ethical Leadership

CONFERENCE THEME:
"Reclaiming the
Societal Dimension"

INCOME INEQUALITY IN BUSINESS AND SOCIETY RESEARCH

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Robbin Derry

Abstract: Income inequality research in the business and society field is incipient. This workshop gathered relevant scholars in order to share current interests as well as to define future directions for research. Three groups discussed theory and methods, stakeholders and the value chain, and developing-country issues.

Key words: income inequality, corporate social responsibility, developing country, poverty

INTRODUCTION

Income inequality has become the most notable challenge of our times and business has a clear role to play in it. However, organizational research has been relatively silent on the role of the firm in income equality. Typically economists and policy researchers have examined the role of the state in placing limits on income and redistributing income through taxation as ways to reduce excessive income inequality (Alvaredo, Atkinson, Piketty & Saez, 2013). Management research has explored decisions about compensation and training (Huselid, 1995), vertical integration (Nickerson & Zenger, 2008), outsourcing, and offshoring (Oshri, Kotlarsky & Willcocks, 2009) – all of which have an effect on income inequality, but has rarely viewed them through the lens of their distributional and social welfare consequences. The human resource management and organizational behavior literatures have been concerned about wage dispersion and its consequences within the firm, but have generally failed to look at its broader social consequences beyond the firm (Greenberg, 2010; Pfeffer, 2010). Similarly, the corporate social responsibility literature has, at best, offered only marginal treatments of income distribution (Utting, 2007). Issues related to living wages, fair trade, and the base of the pyramid have occasionally been explored, but questions about the broader corporate role in fostering inequality remain unanswered (Utting, 2007).

Bringing the firm into research on income inequality is necessary in order to understand the broad range of its social, public health, and environmental consequences (Wilkinson, 2006; Bourguignon, 2000; Coondoo and Dinda, 2008), as well as to understand how such consequences affect firms

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(Bapuji & Riaz, 2012; Davis & Cobb, 2010). Numerous ways exist to explore the firm-inequality relationship, but a few potential avenues are: the role of unions in wage-setting and in resisting offshoring (Lommerud, Meland, & Straume, 2009), the role of technology and structure (Barley, 1990; Gupta, Chen, & Chiang, 1997), corporate governance and executive compensation (Bebchuk and Fried, 2004) as well as income inequality within and between countries (Freeman, 2011). In addition, organizational research on socio-economic status, gender and racial inequality, and pay dispersion are all clear avenues to extend previous research to examine inequality at the societal level.

We believe that additional high-quality research is needed on topics related to the firm and income inequality and that ongoing collaboration among an enthusiastic group of business and society researchers will help to generate it. On Friday, June 20, 2014, twenty-three members of the International Association for Business and Society (IABS) gathered to examine the intersections of business and society research and the growing issue of income inequality. Participants were organized into three discussion tables to delve into various aspects of inequality research: 1) Theory and methods, 2) Business stakeholders, and the value chain, and 3) BOP, social innovation, and developing countries. Participants included Naomi Goldberg, Maurice Murphy, Josetta McLaughlin, Cedric Dawkins, Liz Branigan, Sariah Dayne, Jill Brown, Sridevi Shivarajan, Rumina Dhalla, Thomas Andre, Mike Valente, Gustavo Barbosa, Ivan Montiel, Anke Arnaud, Prakash Sethi, Mitch Casselman, Robbin Derry, Sandra Waddock, Ed Freeman, Linda Sama, Michael Hadani, Vanessa Hill, and Sara Walton. Discussion in the groups began with a brief articulation of each participant's research interests and the nature of their interest in inequality. Following this, participants discussed issues identified as relevant by the table.

THEORY AND METHODS

Liz Branigan is interested in business impacts on marginalized groups. She views philanthropy as relatively less important as a CSR issue. Josetta McLaughlin explained that in Appalachia business is often seen as the problem. She also sees that corruption needs to be taken into account as a driver of income inequality.

Prakash Sethi is interested in factories and sweatshops. He is studying exploitation at the bottom of the pyramid. He believes that inequality will never change. Due to inter-factor competition, capital has significant advantages with respect to labor and resources. Generally speaking, corporations are not interested in raising wages. Consequently, labor needs to find ways to create greater bargaining leverage at the output stage. Also the corporations benefits from imperfect information and asymmetric bargaining power, given that they have more information and other resources than does labor.

Anke Arnaud notes that in the United States, there is a sense of entitlement. She is concerned with how the perception of income inequality affects organizational performance. In contrast, Jill Brown studies corporate governance and works extensively with boards of directors. She says that income inequality is not on their radar screen.

Michael Hadani studies corporate political activity. There is no relationship between pay and performance among the power elite. Nonmarket strategy creates a political elite, which uses its position to maintain power.

Mike Valente states that business is responsible for income inequality. Strategy is all about creating imperfect markets. He applies a value creation/value capture perspective. He asks how do strategy and the value creation/capture perspective perpetuate income inequality.

After the introductions, we moved to a discussion of possible theoretical perspectives. The 2013 Business Ethics Quarterly article by Jeff Harrison and Andy Wicks (Harrison & Wicks, 2013) was cited as a relevant. It asks what value means for stakeholders.

Some of the early management authors like Chester Barnard and Mary Parker Follett wrote about issues directly related to income inequality. Mary Parker Follett discusses the idea of power over and power with. Also, several people emphasized the importance of historical resources and cases for studying income inequality. The current literature on social enterprises as well as the early literature on worker cooperatives might be useful.

Income inequality can be framed as an externality, thus importing ideas from economics and providing a justification for governmental intervention. Work on the causes of income inequality is needed, especially the role of corruption. Some businesses like Walmart are quite happy to have the population increase at the base of the pyramid.

Institutional theory might be invoked to understand the ideology of the free market and democracy, including both the initial alliance between the two concepts and its continued persistence.

Corporate political activity is important because it reinforces the link between free markets and democracy. Institutional investors are relevant to corporate governance and may provide a mechanism to raise awareness of corporate boards of directors.

Schumpeter's work on innovation appears to be relevant. He develops a kind of business case for equality. He says that power inequality destroys innovation. If there is no innovation, capitalism as a system will not survive. Essentially capitalism will destroy itself. The path to innovation is through power.

The concept of food deserts was raised. How does one alleviate food deserts, where only junk food is served?

We ended the session with a discussion of methods. In terms of data sources, Josetta McLaughlin mentioned the Transparency International website, which has data on corruption. A number of other agencies compile income inequality data – World Bank, UNU-Wider, OECD, to name a few. The weakness here is that it is at a country level of analysis and limits the options for research. Risk assessments, particularly political risk assessment, at the country level can be tied to income inequality. So, linking macro-economic factors with inequality will raise a serious challenge to show causality.

Case studies were mentioned as a viable research strategy. For example, Ben & Jerry's, Wholesale Foods, Costco, and Winco were mentioned as companies that pay employees well. By contrast, 80% of Walmart workers receive government subsidies.

BUSINESS, STAKEHOLDERS, AND THE VALUE CHAIN

Cedric Dawkins's interests lie at the intersection of labour unions and inequality. Organizational research tends to examine the effect of various external factors on performance; Cedrik would like to replace organizational performance as a dependent variable with external factors and see how organizational performance affects them.

Soraya Dean works as a consultant with companies to help them understand how various stakeholders affect organizational performance. Managers understand very little about how much the performance of their organizations is dependent on stakeholders. Specifically, she tries to align the needs of business and stakeholders by framing social issues in a manner that explains why those should be a concern for business. For example, inequality might be difficult to be seen as a concern by business, but obesity (a consequence of inequality) is easier to see as a concern.

Ivan Montiel is interested in social sustainability and measurement of social impact of business strategies and actions.

Ed Freeman is skeptical about the intent/framing of inequality debate. Economic growth has lifted millions of people out of poverty and raised their standard of life. So, the question one should address is not inequality, but abject poverty. More specifically, how to lift people out of poverty. The real issue is not inequality of income or wealth, but one of inequality of opportunity (mobility), which can be a killer of hope for the vast majority of people. Mechanisms proposed to decrease inequality (e.g., taxing the rich) are unlikely to be useful and work.

Maurice Murphy is interested in corporate political activity and how that leads to inequality. He is interested to see how corporate edifices use politico-economic power to increase inequality.

Naomi Goldberg is broadly interested in marginalization of the majority of people, with income levels falling at the bottom of the pyramid. Employment has moved from being formal to marginal for most in the workforce. At a personal level, it is frustrating to see the deteriorating socio-economic situation around neighborhoods in the US and around the world.

Hari Bapuji is interested in how economic inequality affects business, and vice versa. In particular, he is examining how income inequality at high levels might deteriorate social capital structure a firm operates in and decrease innovation.

The discussion shifted to empirically examining in a convincing manner the relationship between income inequality and innovation. This is a challenge endemic to all research, particularly research that links business and societal levels. Given the multiple analytical levels involved, one way to demonstrate the relationship is to develop a broad, but sound theoretical framework and offer multiple tests of the relationship using different methods aimed at different analytical levels. For example, Gini coefficients at societal level can be linked to patent data at the firm level and

inequality can be induced in a laboratory experiment to examine its effect on innovation. While this might help to some extent, another major challenge is to control for the effect of other variables that have an effect on innovation. For example, regulation plays a major role in innovation. Yet another challenge is to show the causality between inequality and innovation because innovations might actually reduce inequality as well. In this context, discussion turned to what kind of innovations might inequality foster. Research evidence linking inequality with necessity – and opportunity – based entrepreneurship was highlighted. What counts as necessity and opportunity – based entrepreneurship was discussed, with the type of need being met and the value captured as criteria to distinguish between the types of entrepreneurship.

While income inequality is an issue, its relationship with digital divide must be examined. Considering how much economic growth and market functioning in today's world is tied to digital technologies, the populations disadvantaged due to digital divide lack opportunities to benefit from economic growth.

Another issue that underlies income inequality debate is the political ideology because liberals rail against inequality and corporations. Although Wal-Mart is seen as an oppressor of sorts, it has provided jobs and lifted several communities out of abject poverty. This is in line with Davis & Cobb's (2010) research that shows a negative relationship between corporate employment size and income inequality.

Going back to the issue of political ideology, the discussion turned to whether we, as business scholars are equipped to engage in such research and more importantly, if we can contribute anything to that discussion. Political and social scientists are better placed to engage in such debates. An ideology-oriented discussion is already taking place in the broader social sphere and has done little to move the discussion to productive avenues. Therefore, by engaging in an ideological fashion and adopting a political approach, business scholars might lose an opportunity to engage in a somewhat neutral fashion with the issue of inequality and its relationship with business.

The final question the group discussed was about what kind of research could be done to gain a better understanding on the relationship between business and income inequality. The specific question was: what specific inequality-related research would you conduct if you were given a million dollars? Responses to this ranged from participation of women in workplace (gender inequality), specific regulations that governments can adopt as well initiatives that corporations can implement, the underlying broken institutions that contribute to and maintain income inequality at the societal level, and finally, the belief system that legitimates income inequality in the society. Related, the group reflected on why income inequality is more acceptable while other types of inequalities (e.g., those based on gender, race, and sexual-orientation) are deemed unacceptable and detrimental to organizations.

The discussion concluded on an optimistic note, highlighting the large opportunities for research, but also recognizing the challenges in terms of theories, frameworks, data, and tools.

BOP, SOCIAL INNOVATION, AND INEQUALITY IN DEVELOPING COUNTRIES

The session opened by asking what are the troubling issues with respect to poverty and inequality? The group equated income inequality with a lack of voice. Concern with respect to the subsequent effects was expressed. Thomas Andre noted that there is an investment challenge in determining how to integrate the issue of income inequality into investment decisions. Sandra Waddock suggested that the GISR (Global Index for Sustainability Rating) for standardization might be useful. Andy Crane then asked: How do we find optimal level of inequality? Linda Sama and Mitch Casselman stated that we need to work to understand the difference between poverty and income inequality because it may not be possible to separate these in many contexts.

Given these concerns, the group asked whether "inequality" is a useful concept. Structural inequality is very strong in the United States, and other developed countries – much research indicates that this can and will lead to social collapse (e.g. Jared Diamond). Access to education (in India for example) provides some social mobility.

Do we look toward business to address problems that we might have in theory thought of as government responsibilities: education, social services, health care?

Thomas Piketty, author of *Capital in the Twenty-First Century,* notes that we are back to historically low levels of economic growth.

Social justice research in organizations tends to look at how it is related to organizational performance. Sandra Waddock argued that we need to shift from a focus on Gross Domestic Product or Gross Business activity to better indicators of social wellbeing. As researchers we need to shift our focus of research to what will enable society to survive.

Andy Crane contributed the idea that one mento = 1 million dollars. If one mento were handed out to everyone, what would we do with it? This challenges us to find ways of measuring beneficial social impact.

We discussed the Starbucks announcement of their commitment to support the education of its workers/employees, whether or not that education is specifically related to their jobs. This led to a broader discussion of philanthropy and also of the tobacco industry and their engagement with philanthropy in order to acquire social legitimacy, including scholarships for employees' families, Habitat for Humanity, Shelters for Women, the Arts in NYC: All are great causes, but the philanthropy was entirely instrumental in securing social acceptance for the tobacco companies. Meanwhile, tobacco addiction exacerbates income inequality in that it is disproportionately problematic for lower income and less educated groups in society.

We concluded by acknowledging that we needed to look at core business practices and how those were contributing to structural practices that are oppressive and continue to create income inequality.

CONCLUSION

This workshop highlighted numerous avenues for research by business and society scholars. The group of scholars gathered seemed uniquely qualified to engage in leading edge research on the impacts of business on economic inequality. It is our hope that the workshop and these notes will serve to inspire a more concerted effort by the business and society community to engage in such research. For further resources, researchers can turn to the websites being run by organizational scholars, e.g., www.beif.net and www.worldinequality.org.

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Business Ethics & Ethical Leadership

CONFERENCE THEME: "Reclaiming the Societal Dimension"

EVOLUTION, SHAMANS, AND ADAPTATION: WHAT IS/COULD BE THE ROLE OF ACADEMICS IN SYSTEM CHANGE? A WORKSHOP

Malcolm McIntosh[1]
Sandra Waddock
R. Edward Freeman
Chellie Spiller
Edwina Pio

Abstract: We describe a workshop that issued a call to action for and as academics through the work of intellectual shamanism and wayfinding so that we can do the work of healing, connecting, and sensemaking—and providing hope—that we believe is needed in the world today.

Keywords: management academics; spirituality; evolution; wayfinding; intellectual shamans

OVERVIEW

The world is changing around us—inevitably and ineluctably. In this symposium, we attempted to set the context for a shift of human consciousness that employs insights from individuals we call shamans, who work to gain insights that can help us make a positive contribution to heal and make sense of our fractured world (Waddock, 2007) to make the 'necessary transition' (McIntosh, 2013) to a sustainable enterprise economy—and a sustainable world. The goal of the workshop was to issue a 'call' to academics to become intellectual shamans working to make sense of, heal, and connect the world in new ways—that is, to do the important work of 'wayfinding' towards a better world (Spiller, 2012). In the workshop, we provided a context and background for this thinking, then invited participants to engage interactively in thinking about the ways in which they could move this agenda forward through their own work.

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The miracle that is life on Earth needs to be sustained if we are to continue on our journey: but who are 'we' and do we all have the same visions for the future? Can humanity survive, and does it matter? What does it mean to be human now that we know what we know, now that we are no longer innocent? As we discuss below, the workshop was framed by Malcolm McIntosh (in *absentia*) and Sandra Waddock, and included three thought leaders who explored these questions: R. Edward Freeman, Chellie Spiller, and Edwina Pio.

Some commentators suggest that humanity could be on the cusp of a major advance in consciousness, one that could perhaps take us to the necessary level of post-conventional development and complex thinking that could get humanity out from being 'in over our heads' (Kegan, 1995) to ascend to a higher level. Arguably, as Kegan pointed out, such a development in cognitive, moral and emotional capacity is needed to cope with an increasingly interdependent and complex world. Yet the evidence suggests that there is also a significant risk that humanity will set itself back in evolutionary terms. There is an apparently intractable reluctance to make the system changes that are needed to deal with the world's increasing complexity, and, we forget our evolutionary past at our peril. Think, for example, of the evidence of the impacts of climate change. Or the sustainability crises that threaten not just humanity but also many of the world's other creatures with a 'sixth great extinction' (Leakey, 2000; Larson, 2004). Consider the overuse of renewable natural resources, with steadily growing gaps between the well-off (the 1%) and the remainder (the 99%) – the destitute—and middle class.

There is also a more optimistic line of thought that draws on Heraclitus' observation that whatever you think or do life moves on: 'you can't step into the same river twice.' Change is afoot and all around us the world is evolving in myriad ways. If we could only stand and gaze, and be a bit more aimless and meditative, we might recognize that we are part of a whole that is evolving and adapting.

In 1999 moral philosopher Jonathan Glover in *Humanity: a Moral History of the Twentieth Century* observed that while that century may have been one of the bloodiest centuries (but by far not *the* bloodiest in relative terms) in 1945 the world caught its collective breathe and since then we have become a remarkably peaceable people. And in 2013 evolutionary psychologist Steven Pinker stated that we have become as peaceable as we have ever been. In *The Better Angels of Ourselves: Why Violence Has Declined,* he amasses considerable evidence for the breaking out of global peacefulness, albeit bittily, randomly, and at a macro-observable-scale.

As climate change continues we see increasingly violent and sometimes massive storms. We face a situation in which businesses and governments seem totally unable—or unwilling—to act effectively to reduce carbon (or other) emissions. Gaps in equity continue to grow as the rich get richer and too many of the poor remain in destitution. Corporations become ever more powerful and influence political processes—and redefine the idea of the public good to their benefit, while the 'good' of the many too often goes unaccounted for. At the same time, we live in a world where ecologist Paul Hawken observes that there are over a million, perhaps two millions, small and larger enterprises engaged in what he terms 'blessed unrest' that are collectively, albeit disconnectedly, attempting to enhance sustainability and social justice.

At the same time, many companies have moved the sustainability agenda forward farther and faster than most governments have mustered the strength or political will to do. Indeed the world is

experiencing significant intelligence and leadership deficits when it comes to our political leaders. At the same time, in numerous areas of society, including some in the management academy there are individuals who work with what we can only call a 'rethink and heal the world' agenda firmly in mind, as they grapple with evolutionary adaptation.

Evolution may, in fact, be leading us to what Gilding (2011) calls a great disruption, some sort of catastrophic event that (hopefully) leads humans to take significant collective action to reverse some of its greatest problems. Otherwise, humanity, not to mention other species, may take a significant backward developmental step. We argue that this situation has arisen in part because corporations, large global corporations in particular, but also many other institutions, including academics following today's 'citation mania' too closely, act like 'ghosts in the machine' (Ryle, 1949; Koestler, 1967). We need in a sense to 're-people' them and other institutions so that the power of individual and collective action for positive change can be tapped, so that the real problems of the world can be addressed.

The so-called Cartesian split (philosopher Rene Descartes' separation of mind and body) has been inordinately influential over much Western thinking, creating a fragmented and atomistic perspective in fields ranging from science to literature to management, v. a more holistic and integrated sensibility deriving from some Indigenous, Eastern, and Southern cultures, and social welfare capitalist models that have thrived in some parts of Europe, Australasia and Japan. The mental split that has been created between neoliberal economics and Marxism is a false dichotomy. Societies that are balanced, cohesive, fair and non-violent are necessarily complex and holistic, but are being corrupted by the gross simplicity that is the violence of the neoliberal ideological model where everything is commoditized. A post-Cartesian world looks for balance, not aggressive relations.

Ryle and later Arthur Koestler in a book entitled 'The Ghost in the Machine' (1967) argued that this split was misguided at best, and, Koestler suggested, destructive for humanity. This split fosters a fragmented perspective on actions, e.g., by individuals and by companies, what Harris & Freeman (2008) called the separation thesis, separating ethics from action, or generally failing to view things holistically. In this sense of ghost in the machine, executives, academics, and others may not holistically see the effects of their impacts, believing that they can be segmented from the whole somehow just as business is sometimes seen to be separated from society rather than an integral part of both society *and* nature. In some respects too many enterprises and institutions suffer from this split, creating a ghost in the machine, in which their leaders fail to recognize, or at least seriously take into account, the impacts on the system, including the ecosystem impacts, of their companies' actions.

Arguably, however, we created these organizations and institutions, including academic institutions that follow an equally fragmented, atomistic path, which now bestride the planet, and so we can work to change the model. While we should be empowered by the thought that the potential for change is in our hands we must also be more humble and recognize our current planetary limits

In this context, the current political economic system, not to mention today's academic system and sometimes business systems, becomes inflexible and lacks needed adaptive capacity. We want to argue that, in contrast to the scenario of doom that might be implicit in many current forecasts, the people operating in Hawken's 'blessed unrest' enterprises and many others are operating in many

respects as shamans oriented toward healing the world through holism. Academics as 'intellectual shamans,' with an explicit or implicit agenda of healing—making a better world—are an important part of shaping the conversation and building a set of theories, ideas, and arguments that can help move this agenda. To do this successfully, we need to accomplish at least two things: 1) build more resilience into our systems and institutions, and 2) create more holistic ways of thinking, knowing, and understanding by bringing more diverse perspectives to bear on the questions that plague humanity today.

We need many more individuals to speed the process who can undertake the role of shaman and wayfinders—in the intellectual community as well as in the world of practice. Shamans serve as healers, connectors (mediators of reality), and sensemakers (Frost and Egri, 1994; Egri & Frost, 1991; see also Waddock, 2015 in press). They are sometimes also considered to be thought-leaders or gurus. Indeed, some academics serve as *intellectual* shamans, serving in much the same capacities for both the intellectual world and the world of practice (Waddock, 2013). In their roles as healers they strive to make the patient—in this case the community, the world, or the world of ideas—better, by bridging across realms, e.g., disciplinary or intellectual boundaries, sectors, or institutions. They also make holistic sense of information gathered to bring healing to the world.

Similarly, others serving in shamanic capacities create bridges across sector, industry, and other boundaries in their efforts to make things better or cross those boundaries to gather information and bring it back to their own arenas. We believe that by developing a more shamanic—healing—perspective in academics and by leaders in companies, governments, NGOs, and civil society organizations, that is in enterprises of all sorts, will help create more holistic sensibilities about the world, because it enhances connections among peoples, and fosters a healing and sensemaking orientation that builds understanding—and hence action—about the nature of what humanity faces. This workshop built on the idea that raising consciousness and developing a more shamanic—healing— and wayfinding perspective by us as academics and in those with whom we interact is a potential source of shifting the world's current trajectory.

WORKSHOP FORMAT

In this workshop, we gathered what we believe was an inspiring group of scholars to provide the foundation for thinking about our own roles as intellectual shamans and change makers in the world. This group, consisting of the two organizers, Malcolm McIntosh (Griffith University, Brisbane, Queensland, Australia) and Sandra Waddock (Boston College, Massachusetts, USA), along with R. Edward Freeman (Darden Graduate School of Business, University of Virginia), Chellie Spiller (University of Auckland Business School, Auckland, Aotearoa, New Zealand) and, Edwina Pio (Auckland University of Technology, Auckland, Aotearoa, New Zealand) provided brief overviews of some of the work and thinking that leads us to believe that academics and other thinkers need to play a central role in shaping the future. After brief presentations by panelists, and depending on the number of participants, we will engage in small group conversations on specific topics raised by the panelists, e.g., how academics can create change, what it means to be an intellectual shaman, what is the role of hope in fostering a different future?

Hope, Malcom McIntosh argued (in *abstentia*) in this workshop, drawing on his last book, *The Necessary Transition*, and citing his upcoming book, *The New Political Economy: Five Systems Steps to*

Change, is to be found in the following areas: the growing understanding and sense of globality; the rebalancing of science and awe; the feminization of management and governance; the reorganization of systems, institutions and traditional collective modes; and, the evolution and adaptation of the species to a higher level of consciousness. These five systems changes are not only necessary, but are in progress now. Change is happening.

Following this thinking, Sandra Waddock argued that hope is to be found in the work of intellectual and other types of shamans—call them 'edgewalkers' (Neal, 2005), social entrepreneurs (Dees, 1998), difference makers (Waddock, 2008), or by some other name. They operate in numerous domains, including academia, and serve much the same functions of healing, connecting, and sensemaking (Frost & Egri, 1991; Egri & Frost, 1194; Waddock, 2013) in each. Intellectual (and other) shamans can truly effect change with their ideas. She briefly explained what an intellectual shaman is, based on her forthcoming book on the topic, then worked with other panelists to create an interactive activity that helped participants explore the ways in which they too can serve in this capacity.

Ed Freeman continued this line of thinking and argued that as intellectuals we have a responsibility to try to make the world a better place. Ed noted: Ideas matter, and while there are lots of ways to make them matter, professors can't neglect their public duty. We need to inspire our colleagues and our students. That is the minimum we can do for the privileges we have. It's a great gig. We need to honor it and preserve it for the next generation.

Hope, Chellie Spiller (Mori and Pkeh), argued, emerges from a reawakening of what has been forgotten in the pursuit of unfettered economic growth. Indigenous peoples inspire a relational, inter-generational consciousness, which marks a return to true wealth wherein wealth is synonymous with collective wellbeing. She drew upon ancient wellsprings of Indigenous wisdom, particularly the wayfinding strategies of the M□ ori people, developed in intimate relationship with the world, and discussed some of the symbolic and spiritual dimensions of contemporary Indigenous enterprise that offers a transformative area of exploration for academics.

Hope, Edwina Pio argued, citing her forthcoming book *Work & Worship*, is encompassed in mindful organizing through rational compassion, evidenced in the Eastern philosophies of Asia. In co-holding the sacred and sacral, Eastern wisdom encourages the pursuit of mindfulness and compassion, in order to paradoxically step away from pursuit and reside in mindful devotion that honors the triad of people, planet, and profits. In the tradition of the guru, those who teach—both in universities and organizations—serve to ignite the divine spark through their pedagogies of hope-in-action.

After these presentations, we engaged in a group exercise to enable workshop participants to think through their own roles as intellectual contributors—intellectual shamans, academics, intellectuals, responsible leaders, change agents, edgewalkers, or wayfinders—to building a better world. In closing, we want to quote from a paper by Chellie Spiller that highlights the central focus of this workshop:

> *The wayfinding researchers of relational strategy and management, like the traditional navigators, are not afraid to journey to new places. They go beyond the knowable "business as usual" and journey on voyages of*

> *discovery to new horizons. They let go of the troubled anchor of conventional business and set sail in search of better ways of doing business. They want to see what is really going on and are willing to unpack their mental maps to do so, and weave new mental cartographies that discern the detail and see the whole. Wayfinders are open to a relational way of being in the world, with each other and with ecology. Their personal and professional strategy is to help business take the journey along routes that contribute meaningfully, ethically, and substantially to wealth and wellbeing (Spiller, 2012, p. 86).*

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Business Ethics & Ethical Leadership

CONFERENCE THEME: "Reclaiming the Societal Dimension"

THE HOMOGENEITY OF SOCIETY: THE ROLE OF FRANCHISING

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Anthony R. Grace

Abstract: This paper explores the impact of franchising on society by debating both the positive and negative aspects of the business model. Research from both Australia and India reveals the role franchising has played on influencing local customs and culture. Emphasis is placed on the homogeneity of society and franchising's role in embracing uniformity over diversity. The theory of McDonaldisation provides a framework for understanding some of the negative ways that franchising affects many aspects of society, not just the restaurant industry. Social franchising highlights the positive potential of the model. The authors' conclude that franchising is a powerful tool that can be used for corporate profit or for social benefit. The aim of this paper is to increase discussion around the topic of franchising and its impact – positive or negative – on the homogeneity of society.

Keywords: Homogeneity; Franchising; Society; Social Franchising; McDonaldisation

INTRODUCTION

For centuries, dating back to the medieval monarchy (Davidson, 1995; Justis and Judd, 2003) and the institutional Roman Catholic Church (Ekelund, Hébert, Tollison, 1989), franchising has been utilised as an effective catalyst for growth. However, the scope of franchising is not limited to politics and religion, it has allowed many businesses to flourish. For example, McDonald's is considered to be one of the most successful franchise systems, opening its first store in 1955 in Illinois, U.S.A and according to Lubin and Badkar (2010) the golden arches logo is the most recognized symbol in the world. McDonald's is now operational in 119 countries, with only 76 countries left to conquer. This business marvel is successful for many reasons, the main one of those being franchising. However, franchising has an often unmentioned impact on society; homogeneity.

Societies that are homogenous are devoid of any diversity. Franchising embraces uniformity whereby it is considered an advantage if you can order a Big Mac from the McDonald's in Sydney and receive a similar product if you placed the same order from the McDonald's in central India. Homogeneity does have advantages in a society that embrace predictability. Furthermore, Ritzer's (2000) theory of McDonaldisation suggest four major dimensions of the franchised model of business expansion: calculability, predictability, control through non-human technology and efficiency. From an economical perspective, these elements are praiseworthy. However, from a societal perspective, these elements can influence dehumanisation (2000:16). As researchers, we have to ask the question – what role has franchising played in the homogeneity, or perhaps dehumanisation of society. Perhaps uniqueness and individuality have been replaced by homogeneity.

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Theoretical explanations for the phenomenon of franchising fall under the resource constraints theory (Oxenfeldt and Kelly, 1969) whereby corporations are limited – mainly by financial and human capital constraints – thus, franchising is used to gain greater access to others' resources. A major advantage of franchising is that it allows corporations to gain access to other people's money and effort in a legal and profitable manner. The franchisor recruits franchisees the same way that a corporation may recruit new employees. Franchisees join 'the franchise system' (for example, McDonald's) and become an agent of the corporation.

One of the case studies used in this discussion paper is the McDonald's franchise system, its method of business provides interesting insight into contemporary commerce. It is a pioneer in franchise homogeneity whereby a successful 'business blueprint' has been globally operationalised. McDonald's success is a product of many factors, however, a major driving force behind the operation was Mr. Ray Kroc (1902 – 1984) who was an influential member in the rise of the golden arches. The second case study is that of ChildLine 1098 Service, a social franchise started in 1996 in Mumbai. ChildLine represents the country's first toll free helpline. The franchising model has allowed this service to expand rapidly and as of March 2013 the service is available in 291 cities/districts across 30 Indian states (ChildLine India, 2013).

FRANCHISING

The history of franchising can be traced back to the medieval ages whereby it was considered common practice for local governments/monarchy to appoint important persons the role of maintaining civil order and collecting tax from citizens (Justis and Judd, 2003; Blair & Lafontaine, 2005; Mendelsohn, 2005). Thus, franchising initially began in the form of licensing arrangements. The licensee (franchisee) collected taxes from others of which a percentage or fixed amount was then paid to the monarchy (franchisor). In this way, a medieval monarchy was able to have greater control within its sphere of influence (Justis & Judd, 2003).

Thus, commercial franchising today has sprouted from the soil of European feudalism (Price, 1997) and popularized by large corporations such as McDonald's, 7-Eleven and Subway. These large American corporations – now viewed as icons of globalization (Alon, 2004) – have utilised franchising to expand their operations rapidly around the world. They started to penetrate the Australian market in the early 1970s (Terry & Forrest, 2007), with rapid expansion through urban and regional Australia ensuing over the following decades. Hungry Jack's (Burger King in the USA), McDonald's and KFC, among others, were well received by the Australian public, spawning great interest in 'franchising' throughout the economy.

At the start of the franchising relationship, when a franchisor recruits a franchisee, trust enables the individuals to work together within a social entity, toward a common business objective. The franchisee and the franchisor agree to cooperate together in the competitive business arena; they become allies, but can they be friends? (Wright and Grace, 2011). Charles de Gaulle once said that nations don't have friends, they have interests; is this the same for franchising? It may be that the societal dimensions of friendship and kindness have become lost in the convoluted interconnected web of commercial networks.

Franchising in Australia and India

The most recent research suggests that in Australia there are approximately 1180 business format franchise systems, with an estimated 73,000 franchise units in operation across the county (Frazer, Weaven and Bodey 2012). In 2011, it was estimated that the business format franchising sector contributed $62 billion to the Australian economy suggesting that franchising has come a long way since it was first introduced over forty years ago. McDonald's now has over 745 restaurants operating around Australia.

Unlike Australia, serious interest in franchising as a business model is relatively new in India. Franchising in India started to grow after the government started to actively encourage a free market economy by relaxing financial regulations in the early 1990s (Lingam & Wulff, 2010).

The growth of the sector has been evident but it still represents a very small segment of the Indian economy. There are two franchising bodies in India and they both have different statistics as to the number of franchisee systems there are in India. The Franchising Association of India claims that there now are over 600 franchise systems in India; and the major U.S. franchisors all have a presence in India including McDonald's, Pizza Hut, UPS, Medicine Shops, Gold's Gym, and KFC, among others. The Indian Franchise Association claims that there are over 1,100 franchise systems, with over 70,000 franchisees doing over US$4 billion in revenues, employing about 500,000 people, and representing almost four percent of India's gross domestic product (IFA, 2014)

One factor that has fuelled this growth of franchising is the expansion of malls within India. It is expected that there is currently over 300 malls in operation compared to 2000 when there were only three (Mehta, 2012). This mall explosion would not have be possible without franchising enabling the rapid spread of the same brands in each shopping centre. The franchising business model is suspected to benefit most from this economic change (Mehta, 2012). Malls also have a lifestyle effect on the emerging middle class in India.

Unlike Australia and regardless of their recent economic growth, a sizable urban middle class, and growing portions of large wealth, India is a country burdened by extreme poverty. Within the country 80 % of the population lives on less than $2 per day, and 25 % lives on less than $1 a day. In Mumbai, there is a population of over 20 million people, and over 50 % of this population live in shantytowns or on the streets (Lingam & Wulff, 2010).

McDonaldisation

McDonald's is one of the largest franchises in the world; the golden arches have become a global icon. *McDonaldization* (Ritzer, 2000) refers to the significant impact that McDonald's has had on the global society. The fast-food company has instilled principles of impatient robot-like behaviour on our society. McDonald's has changed society and as Ritzer explains, "McDonaldization affects not only the restaurant business but also education, work, health care, travel, leisure, dieting, politics, the family and virtually every other aspect of society." (2000: pg. 2).

The negative effects that McDonaldisation has had on society are complex and multi-layered. Ritzer (2000) identifies two major concerns. Firstly, McDonald's corporation deems it a necessity to grow

standardised food, for example potatoes that will taste and look the same requiring large amounts of harmful pesticides. Secondly, there is an underlying issue centred on the dehumanisation of eating that stems from standardised restaurant areas. These eating areas have been designed with uncomfortable chairs to encourage customers to eat and leave quickly, as opposed to staying in the restaurant and enjoying a meal with family and friends (2000: 16). The nutritional quality of food that is produced from such a system is also questionable. The effect of having such unhealthy food easily available plays into the time constraints that appear to be valued by Westernised societies.

While the system of perfecting a process can be seen as something to strive for it often strips away the humanity that it is trying to serve. The "mom and pop" shops are unable to compete with the franchising model, and especially one as profitable and powerful as McDonalds. This leads to the homogeneity of our societies. Food courts in India will appear to be very similar to those in Australia despite the large cultural and societal differences between the two countries. Travellers can find comfort in locating familiar food in a far-away land, but they will have to search harder to find unique experiences and a gateway into another culture's cuisine. This represents the commercialization of the franchising and next we examine the implications of a social franchise on the society it operates within.

ChildLine

The Childline India Foundation was founded in 1996 as a 24-hour toll-free, outreach based help line. This service is representative by the government of India as a response to the Child Rights Convention of the United Nations, which the country ratified in 1992 (Mehta, 2008). This initiative has gain large momentum and been able to spread quickly because of the franchising model. Various ChildLine locations could set up by mimicking the previous locations and focusing on the two aspects of franchising: standardization and efficiency.

A review by Nijmeijer et al. (2013) showed that franchising in health care, or in ChildLine's case child wellbeing, is positively associated with client volumes, accessibility and some types of quality. The majority of the research done in this area is located in low and middle-income countries that are in need of large-scale health initiatives. The concept of social franchising is inheritably linked to that of social entrepreneurship, which has a goal of addressing a particular social problem. One of the main problems for social entrepreneurs is the ability to scale up their ventures (Volery & Hackl, 2009). Franchising could provide the answer to this problem. With franchising's ability to spread a service or product with great speed to a large geographical areas, this could be a positive tool to give help to those who are in most need.

CONCLUSION

One the one hand, franchising has been applied as a business model to create economic value and financial profit (for example, McDonald's, KFC, Subway). On the other hand, franchising can be used for social benefit, known as social franchising. According to Koehlmoos et al., (2009) social franchising is an adaption of commercial franchising whereby a replicable system can be implemented with the purpose of a social benefit. For example, social franchising has been used primarily in the health services sector (Stephenson, 2004) whereby a high service of care can be delivered more effectively to developing countries. Franchising can enable social entrepreneurs to

have the structure and support to change their passion for a social issue into a sustainable business while providing a roadmap of how the business can work (Volery & Hackl, 2009).

We question here the effect that franchising has had and continues to have on our society both in a developed market place, Australia, and an emerging marketplace, India. We argue such a global business model deserves our reflection on its impact, both positive and negative, on society. It is found that although the franchising model has enabled a quick growth of markets and the expansion of economies that may not have been possible otherwise, it also takes away the humanistic aspects of eating and sharing a meal. Franchising plays a role in the homogenisation of society. The toss up between economic benefits and humanistic connections is centred around the use of franchising for commercial or social purposes. Franchising is a powerful tool, with far-reaching implications. At best, the positive implications of franchising, for example health care services and child safety, should be encouraged and supported as a way to improve all aspects of society.

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Business Ethics &
Ethical Leadership

CONFERENCE THEME:
"Reclaiming the
Societal Dimension"

SYMPOSIUM – VICTOR AND CULLEN'S ETHICAL WORK CLIMATE CONSTRUCT REVISITED: EMERGING THEMES AND RESEARCH QUESTIONS

James Weber[1]
Anke Arnaud

Abstract: This symposium focuses on theoretical, methodological and empirical advances to the ethical work climate (EWC) construct introduced by Victor and Cullen (1988). James Weber proposes a new, stronger, inherently normative, and more empirically viable theoretical framework for identifying and understanding EWCs. Anke Arnaud adds collective moral values to the original Arnaud and Schminke (2011) model, where collective moral values give rise to EWCs and interact with collective moral emotions to affect the relationship between EWCs and ethical behavior. (Two other authors presented their ideas as part of this symposium at the 2014 IABS Conference: Craig VanSandt combined the focus on managerial orientations with the observation that different types of organizations will likely have different EWCs by incorporating "dominant logics" and the Mental Model Style Survey; and Satish Deshpande emphasized addressing the research gap focusing on the impact of organizational factors on ethical decision-making and turns to China and the impact of *guanxi* and ethical dissolution within an organization for his empirical exploration. The Van Sandt and Deshpande essays are not included in this Proceedings.)

Keywords: Ethical work climate; model creation; moral values; methodological challenges; empirical assessment.

PART ONE: THREE CHALLENGES TO THE ETHICAL WORK CLIMATE THEORETICAL FOUNDATIONS

James Weber

INTRODUCTION

The field of organizational ethics analysis took a major leap forward in 1988 with the publication of Bart Victor and John Cullen's "The Organizational Bases of Ethical Work Climates" in *Administrative Science Quarterly*. This seminal work became the formal launching pad for a plethora of scholarly work focusing on ethical work climates (EWC), some promising methodological improvements, empirical assessments, and tests of validation focusing on EWC that have been widely published in management and business ethics journals.

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Notably, Vaicys, Barnett and Brown (1996) launched criticisms focusing on the factor structure found in the original model and by Wimbush, Shepard and Markham (1997), who focused on the multi-dimensionality of the model. In addition, there was an IABS 2004 session entitled: "Rethinking Victor & Cullen's Theory and Measure of EWCs." Much of this literature was summarized in an *Academy of Management Perspectives'* publication authored by Simha and Cullen (2012).

Despite some of these efforts, a review of the extant literature uncovers only two new theoretical or instrumental developments building on Victor and Cullen's work: Reidenbach and Robin's (1991) *A Model of Corporate Moral Development* and Arnaud's (2010) *Ethical Climate Index*. Therefore, based on the modicum of work discovered in the literature, it seems reasonable to conclude that there are relatively few challenges to the theoretical foundations first established by Victor and Cullen. This paper seeks to re-examine the original theoretical foundation to possibly discover a new, stronger, inherently normative, and more empirically viable theoretical framework for identifying and understanding EWCs.

THEORETICAL FOUNDATION

Victor and Cullen's model is grounded in the earlier works by Schneider (1983), focusing on organizational work climates and Kohlberg (1984) and his theory of moral development. There are two dimensions in the model: [1] ethical philosophy, specifically referred to as egoism, benevolence, and principles and [2] sociological theory of reference groups, classified as individual, local, and cosmopolitan. These two dimensions created a three-by-three matrix with nine theoretical ethical work climates types. Scholars, including Victor and Cullen, have applied the nine theoretical ethical work climates in a wide variety of contexts, businesses, military units, non-profit organizations, and have generally and consistently found five EWC types: instrumental, caring, independence, rules and procedures and law and professional code. (One notable exception is a "service" EWC found by Wimbush, Shepard and Markham, 1997.)

HYPOTHESES TESTING AND MODEL DEVELOPMENT

There are three theoretical areas ripe for exploration as suggested here. The first theoretical challenge is the necessity in Victor and Cullen's model of the two dimensions given the dimensions' interdependence. (The necessity of Victor and Cullen's two dimensions is also discussed in Arnaud, 2010.) This paper argues that the two dimensions: ethical philosophy, classified by Victor and Cullen as egoism, benevolence, and principles, and sociological theory of reference groups, classified as individual, local, and cosmopolitan, leading to the five discovered EWCs are so closely related that the two dimensions could be collapsed into a single construct. Given that it is theoretically possible that Victor and Cullen's two dimensions are so similar, if not found to be statistically identical, it is proposed

> *Proposition #1 – The two dimensions initially proposed by Victor and Cullen could be reduced to a single dimension.*

Turning to my second theoretical challenge to Victor and Cullen's model, this paper considers the inherently normative element of ethical work climates that is missing in Victor and Cullen's purely

descriptive work. There is a strong tradition within the business ethics literature criticizing purely descriptive work void of the normative dimension that many scholars see as inherent to this field of research. Therefore, scholars have called for a normative assessment using normative-based tools. Frederick (1986) argues that a value-neutral, descriptive model used in the exploration of ethical decision-making or behavioral dimensions is incomplete. Similarly, Bowie acknowledges that there is a hierarchy among ethical theories and not all ethical perspectives should be treated as equally valid when he observes that "egoism is found to be morally lacking as a satisfactory ethical paradigm" (1991:10). Etzioni (1988) clarifies the importance of normative assessments when he states that value neutrality is insufficient as a normative guide for human decision making or behavior.

Moreover, when considering ethical decision making and ethical behavior conceptually (Bowie, 1991), empirically (Green & Weber, 1997), and developmentally (Kohlberg, 1981), scholars have consistently found that when a broader focus is taken when assessing ethical dilemmas or when selecting an ethical action a more ethically defensible resolution is achieved. Therefore, it is possible that Victor and Cullen's value-neutrality is inappropriate and there exists a normative hierarchy of ethical work climate types. This paper proposes

> *Proposition #2 – There is a value-based, normative hierarchy to ethical work climate types and the broader the focus taken the "better" the ethical perspective.*

Finally, the two prior challenges developed in this paper leads us to consider if there needs to be a newer and stronger ethical work climate model – with a singular (proposition #1) and normative (proposition #2) dimension. This paper introduces the Ethical Work Climate Tower (or EWC 2.0) – a new, improved version of Victor and Cullen's landmark scholarly contribution. The EWC Tower incorporates three major elements, all in tight parallel with each other: [1] the sociomoral perspectives of decision-making, [2] the stages of cognitive moral development, and [3] the progressive hierarchy of ethics theories – grounded specifically in consequential (teleology) and principled (deontology) reasoning.

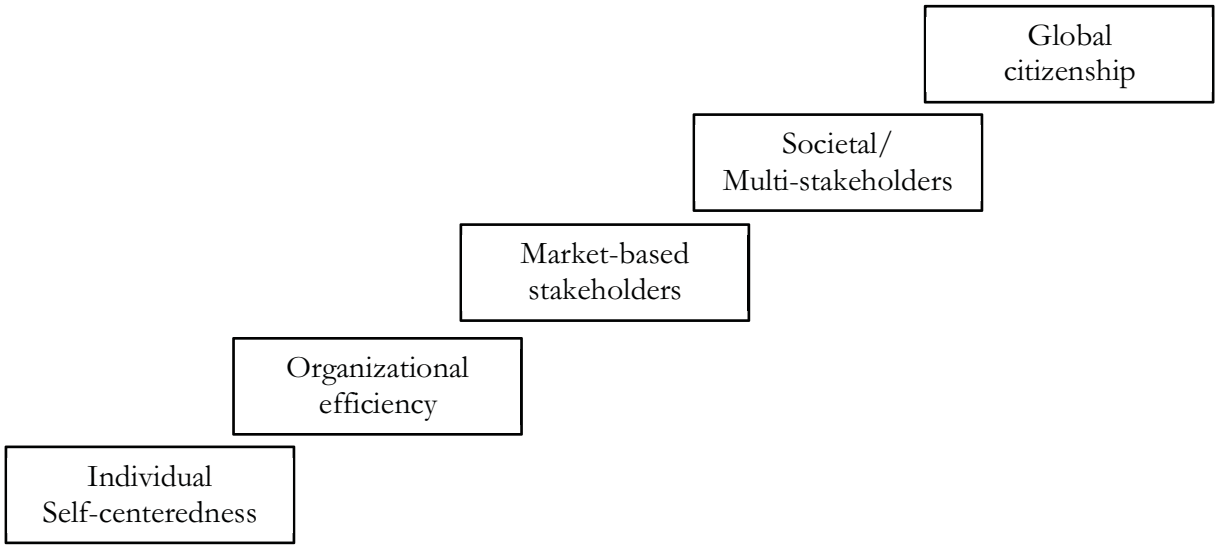
The sociomoral perspectives of decision-making mirror the sociological theory of reference groups developed by Schneider (1983) and utilized by Victor and Cullen (1988). Individuals when faced with an ethical dilemma can emphasize one of many different perspectives: the self, immediate others, a larger or societal group, and a universal perspective or all affected. This natural progression of focusing on different referent groups parallels the stages of cognitive moral development developed by Kohlberg (1984) and also used by Victor and Cullen in their model.

These progressive stages start at stages 1 and 2 where a pre-conventional sociomoral perspective is assumed. The decision-maker is concerned only with the avoidance of punishment to her/himself or the satisfaction of personal needs. The decision perspective moves to stage 3 where a concern for reciprocity and maintaining relations with others close to the decision-maker is employed. Then at stage 4 there is an emphasis on the larger group or social rules and consequences affecting the larger group. Finally, the perspective progression culminates at stages 5 and 6 where universal standards for decision-making are evoked including both consequential reasoning, seeking the greatest good for all affected, and principled reasoning, individual entitlements and standards of justice are the basis for ethical judgment.

Finally, consequential and principled ethical reasoning completes the multiple perspective trifecta by classifying ethical decision-making according to commonly accepted ethical theories, again in a progressive path, from egoism to social group relativism, to cultural relativism, to universal theories of utilitarianism, rights and justice.

These three theoretical frameworks leads to the creation of the Ethical Work Climate Tower, shown in Figure 1 – a new model that has a normative dimension – the broader the focus, the more ethically defensible the decision or action. The five EWC types tentative proposed in the EWC Tower are: individual self-centeredness, organizational efficiency, market-based stakeholders, societal/multi-stakeholder, and global citizenship. The titles of each EWC type remains to be developed further, as are comprehensive descriptors for each EWC type, yet are cautiously represented in the following diagram:

Figure 1. Proposed Types of Ethical Work Climates



Preliminarily, the five proposed EWC types progress from the most narrow focus – individual self-centeredness – to the broadest focus – global citizenship – moving left to right on the EWC Tower.

The individual self-centeredness EWC would be similar definitionally to Victor and Cullen's Instrumental EWC, but with an even more narrow focus assumed by Victor and Cullen to include only the individual decision-maker as the focus of analysis, as opposed to Victor and Cullen also considering the employee's organization. A pure egoist, represented by someone in this EWC type, would not be morally mature enough or ethically validated to consider her/his organization, rather would only focus of personal consequences – the avoidance of punishment and the seeking of reward. This perspective is akin to Kohlberg's stages 1 and 2 of cognitive moral development. The individual self-centeredness EWC would be comprised of individuals who would consider all ethical situations in terms of themselves and would likely be isolated within a large organization and with little supervision or interaction across the organization. This type of EWC may be rare but represents the most extreme unethical position in the EWC Tower.

The o*rganizational efficiency* EWC is a slightly more developed moral stance than individual self-centeredness EWC but, like individual self-centeredness, maintains a relative egotistical approach to ethical decision-making. Victor and Cullen's Instrument EWC fits here but, rather than an individual locus of analysis, the attention is on an organizational locus of analysis. The Rules EWC, found in Victor and Cullen's framework, also may fit here since this EWC focuses on rules established by the organization for smooth or efficient operations within the organization. Within this EWC, individuals or the group would consider how an action affects the organization, but only the organization. People or groups outside of the organization would be excluded from the ethical analysis. The organizational efficiency EWC would seek to maximum benefits for the organization and minimize negative impacts – thus attempting to be as efficient as possible in the decision-making process and organizational practices.

As the EWC type progresses along the EWC Tower, the *market-based stakeholder* type emerges. As the title indicates, the focus within this EWC type would begin to consider others outside of the organization, similar to Kohlberg's stage 3 of moral development and Victor and Cullen's Caring EWC. While an expanded perspective than the two EWC discussed previously, the market-based stakeholder EWC would only include stakeholders that have a financially grounded relationship with the organization – that is, stockholders, employees, consumers, and suppliers – and only the financial dimensions of these relationships. Other stakeholders would have no weight in the ethical analysis by individuals operating within this EWC. This EWC type retains a narrow understanding of an organization's purpose, the classic economic view of enlightened self-interest, expressed through a concern for other stakeholders but only in the context that it may benefit the organization financially.

Next is the *societal/multi-stakeholder* EWC. The perspective for this EWC broadens to include most stakeholders found within the societal perspective. This view is more reflective of Kohlberg's stage 4 – comprised of a societal sociomoral perspective – or a cultural relativist view, ethically speaking. This EWC type also reflects Victor and Cullen's Laws and Professional Code EWC. A consideration for following society's laws or the industry's rules would be important to the person or group demonstrating a societal/multi-stakeholder EWC type. This perspective also welcomes a consequential analysis where the benefits and costs to all those in society affected by a decision are considered, an extension of a more narrow application of Victor and Cullen's Caring EWC. Stakeholder relations are understood as more than a financial relationship or economic transactions, so market-based stakeholders join non-market-based stakeholders, such the community, government, and the media, and the context of financial, social, health, and other stakeholder interests are valued.

Finally the EWC Tower advances to the most ethical defensible or morally developed type – *global citizenship*. The perspective is at its broadest point when individuals within this EWC include people outside of their society when making ethical decisions. This perspective is not included in Victor and Cullen's original EWC framework since their model stops at society or what they term a cosmopolitan locus of analysis. For this EWC, it is not enough to only consider all stakeholders within their country or society, for example, but also stakeholders residing in other countries, or the environment, or future generations. This view parallels Kohlberg's stages 5 and 6, where a beyond-society sociomoral perspective is taken and a universal focus is the basis for ethical reflection.

The development and refinement of these EWC types are an on-going process but this initial framework leads to the final challenge proposed in this paper and needing to be tested:

> *Proposition #3: Are the five EWC types in the Ethical Work Climate Tower independent, comprehensive, developmental, and normative?*

In addition, an assessment needs to be made regarding the descriptive strength for each EWC type.

IMPLICATIONS

Once validated, the EWC Tower provides scholars with a theoretically less convoluted EWC model (compared to the redundancy found in Victor and Cullen's original EWC model), a return to the normative roots of ethical work climate (something intentionally missing in Victor and Cullen's work), and a new, validated model with results that should be easier to interpret given their direct relationship to a sociomoral perspective, stages of cognitive moral development, and the traditional ethics theories.

In addition, the EWC Tower provides practitioners with a metric that can be used to provide a warning sign to alert organizations with an EWC that is vulnerable to unethical behavior (emphasizing the normative dimension where a less ethically defensible EWC places the organization in a more vulnerable or weaker state) and satisfy their interest for a tool useful in conducting an organizational risk assessment. The EWC Tower is a developmental model, enabling improvement in the organization's EWC – moving from one weaker EWC type to an ethically stronger EWC type – in order to strengthen the organization's ethical work climate or culture, known to be at the foundation for building an ethical organization and improving ethical decision-making.

FUTURE RESEARCH

As this scholarly project develops, additional work is needed outside the scope of this paper and includes:

1. Testing the propositions delineated in this paper, particularly validating the properties found in the EWC Tower,
2. Modifying the original Ethical Climate Questionnaire [ECQ] (see Victor & Cullen, 1988; Cullen, Victor & Bronson, 1993) and creating new moral statements as needed to reflect the EWC properties found in the EWC Tower,
3. Once the new ECQ is developed, validation testing of the new ECQ, and
4. The widespread application of EWC Tower and new ECQ to a wide variety of organizations, building a new database of EWC information.

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PART TWO: EXTENSION OF THE MODEL OF THE ETHICAL CONTEXT OF ORGANIZATIONS

Anke Arnaud

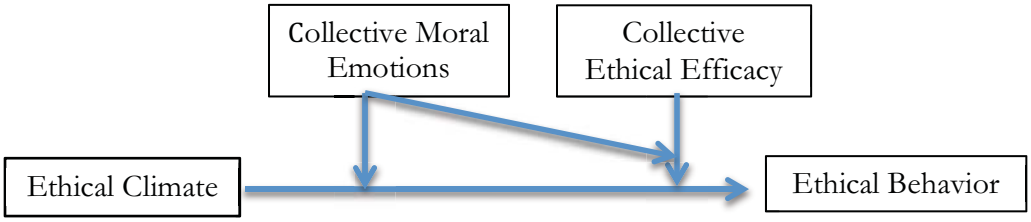
In this article, I propose an extension of the Model of the Ethical Context of Organizations developed by Arnaud and Schminke (2011). I argue that collective moral values represent an important factor that should be included in the model. Values represent important attributes of organizational cultures and climates and affect individual behaviors. Hence, I propose to include collective moral values, a work unit's deeply-held beliefs of what is right versus what is wrong, as an additional factor of the original model. More specifically, I propose that collective moral values promote the emergence of an ethical climate and affect the process by which collective moral emotions affect the ethical climate-ethical behavior relationship.

INTRODUCING THE MODEL OF THE ETHICAL CONTEXT OF ORGANIZATIONS

In 2011, Arnaud and Schminke introduced a model describing components that define the ethical context of organizations. They considered how three distinct aspects of that ethical context—collective moral reasoning (ethical climate), collective moral emotion, and collective ethical efficacy—interact to influence ethical behavior. Arnaud and Schminke collapsed the two dimensions of Ethical Work Climates proposed by Victor and Cullen's (1987, 1988) into one dimension of collective moral reasoning. The authors identified that ethical climates emerge as either self-focused or other-focused Ethical Work Climates. Based on this modification of Victor and Cullen's model,

the authors suggested that Ethical Work Climates more likely translate to ethical behavior when members of the same work unit care about the people affected by their actions (collective moral emotion) and believe in their ability to follow through on an intended course of action (collective ethical efficacy). Figure 1 illustrates the proposed model and interactions.

Figure 1. Model of the Ethical Context of Organizations

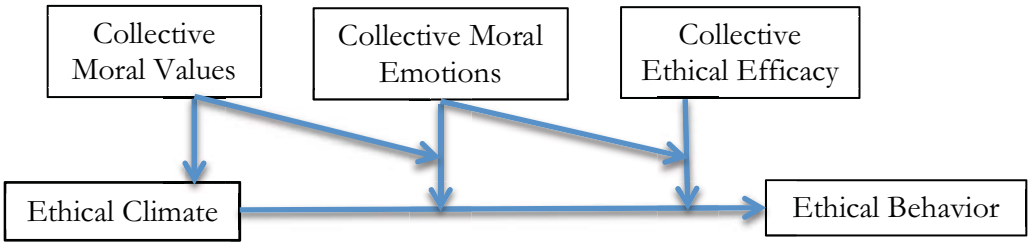


As shown in Figure 1, Arnaud and Schminke (2011) explained that this interaction of ethical climate, collective moral emotions and collective ethical efficacy informs us not only about the ethical context but also the process by which the ethical context of organizations affects ethical behavior. The authors studied 117 work units and found general support for their hypotheses and the model. Collective moral emotions (collective empathy) strengthened the relationship between other-focused Ethical Work Climates and ethical behavior but did not moderate the relationship between self-focused Ethical Work Climates and ethical behavior. Furthermore, the authors found that collective ethical efficacy strengthened the relationship between self-focused Ethical Work Climates and ethical behavior but did not moderate the relationship between Ethical Work Climates of other-focused moral reasoning and ethical behavior.

AN EXTENSION OF THE MODEL OF THE ETHICAL CONTEXT OF ORGANIZATIONS

In this manuscript, I build on the work by Arnaud and Schminke (2011) and add collective moral values to their original model. The Extended Model of The Ethical Contexts of Organizations is illustrated in Figure 2.

Figure 2. The Extended Model of The Ethical Context of Organizations



I propose that this model represent a more comprehensive framework than the original model for understanding the process that links ethical climates to ethical behavior. More specifically, I propose that collective moral values give rise to ethical climates and interact with collective moral emotions to affect the relationship between ethical climates and ethical behavior.

Ethical Climate and Collective Moral Values

The organizational climate, in this case the ethical climate, is conceptualized as the way individuals perceive the personal impact of their work environment (James, James & Ashe, 1990). Thus, climate is the *property of the individual* and encompasses "the set of characteristics, which the members of the organization perceive and come to describe in a shared way (Verbeke et al., 1998, 313)." Tagiuri and Litwin (1968:25) defined climate as "the relatively enduring quality of the total environment that is (a) experienced by the occupants, (b) influences peoples' behavior, (c) can be described in terms of the values of a particular set of characteristics (or attributes) of the environment (p.15). " An organization's climate is a manifestation of its culture and hence grounded in the shared values of its members (Brown & Brooks, 2002; Sowpow, 2006). These values guide behavior and decision-making in the organization (Brown, Trevino, & Harrison, 2005).

Values serve as guiding principles in a person's life and in a social-system, and individuals' values give rise to the shared values of a social-system such as a work unit or the organization. Shared moral values define an organization's deeply-held beliefs of what is right versus what is wrong. They define what an organization is and views central to its goal achievement and they give rise to the ethical climate of the organization (Grojean et al., 2004).

Schwartz's (1992) theory of values suggests that people who are morally motivated will place moral values above other values. His values framework identifies ten value types, including power (societal prestige and controlling of others), achievement (personal competence according to social norms), hedonism (pleasure and satisfaction of sensual needs), stimulation (excitement, novelty, and challenge in life), self-direction (independent action, thought, and choices), universalism (understanding, tolerance and protection for the welfare of all people and for nature), benevolence (protecting the welfare of close others in everyday interaction), tradition (respect, commitment, acceptance of customs/ideas that one's culture/religion impose), conformity (restraint of actions, inclinations, impulses likely to upset, harm others or violate social norms), and security (safety, harmony, stability of society, of relationships and of self). It is noteworthy that universalism and benevolence are values that motivate the promotion of the welfare of others. Hence, they are considered moral values (Schminke & Arnaud, forthcoming; Myyry & Helkama, 2002).

Empirical evidence links Schwartz's (1992) values framework to ethical behavior. For example, Gaerling (1999) found universalism to be related to prosocial behavior. Franc and colleague (2002) found that individuals who applied benevolence and universalism values as guiding principles in their lives engaged in prosocial behaviors such as helping; more so than individuals who identified other values as guiding principles in their lives. In addition to the link between benevolence and universalism to ethical behavior a link between values that serve the collective interest and ethical behavior has been well documented in the literature (i.e. Schwartz, 1992; Schwartz & Bilsky, 1987).

Schwartz's values framework is unique because it explains the "structure of dynamic relationships" among its ten values. Schwartz suggests that the pursuit of a value may be congruent or in conflict with another value. For example, the pursuit of achievement values generally conflict with the pursuit of benevolence values. Similarly, pursuing ones success for self tends to impede actions aimed at enhancing the welfare of others. However, pursuing both achievement and power values is

usually related and congruent. Understanding values as organized along two bipolar dimensions defines the oppositions between competing values (Schwartz, 2012).

Two of these dimensions, self-transcendence values and self-enhancement values, directly relate to Arnaud and Schminke's conceptualization of Ethical Work Climates as self-focused versus other-focused. Self-transcendence values are defined as acceptance of others as equals and concern for people's welfare (benevolence and universalism) and self-enhancement values are defined as insisting on the pursuit of one's own relative success and dominance over others (power and achievement). Because self-transcendence values emphasize an acceptance and concern for others it is likely that self-transcendence values, when shared by a work group, give rise to other-focused Ethical Work Climates.

Proposition 1: Collective moral values of self-transcendence are positively related other-focused ethical climates.

On the other hand, self-enhancement values, the pursuit of one's own success and dominance over others, when shared by a work group, give rise to a self-focused Ethical Work Climate. This explains the direct relationship proposed between collective moral values and ethical climate (see Figure 2).

Proposition 2: Collective moral values of self-enhancement are positively related to self-focused ethical climates.

Interaction Between Collective Moral Values and Collective Moral Emotions

I propose that collective moral values and collective moral emotions interact to affect the relationship between ethical climates and ethical behavior. Arnaud and Schminke (2011) introduce empathy as the focal moral emotion in their model. Batson (1991) defines empathy as an emotional reaction to another person's situation characterized by feelings of tenderness, compassion, and sympathy. Empathy is a moral emotion because it represents an other-focused emotion and is associated with a broad range of prosocial behaviors and moral judgements (Hoffman, 2000; Pizzaro, 2000). And it is viewed as a foundational moral emotion, one upon which other moral emotions rest. Hoffman (2000) described it as a prototypic and widely discussed moral emotion because it occurs regularly and reliably in situations involving moral issues. Pizzaro (2000) explains that empathy is "the clearest candidate for being a truly moral emotion (p. 359)."

George's work (1990) supports a conceptualization of emotions at the collective level because they represent "consistent or homogeneous affective reactions within a group". Based on this argument, Arnaud and Schminke (2011) describe collective empathy as homogeneous empathic reactions within a work unit. Members who make an effort to (a) step into other people's shoes and (b) understand how their decisions and actions affect others characterize a work environment grounded in empathy. An empathic work unit is characterized by employees who care for each other (and for other organizational stakeholders) and are concerned about others' feelings and welfare (Arnaud & Schminke, 2011).

Empathy is grounded in the desire and ability to identify with and feel for others and have compassion. These feelings are founded in the belief that it is right to care for others, and be concerned for the welfare of others. Hence, empathy is directly related to Schwartz's (1992) self-transcendence values of benevolence and universalism because benevolence refers to the

preservation and care for the welfare of those with whom one is connected and universalism refers to the preservation and care for the welfare of all people and nature (Schwartz, 2012). Furthermore, Sonnemans and Frijda (1995) explain that the more individuals deem something relevant to their values, the more intense the resulting emotion is going to be. This suggests that a work group defined by shared values of self-transcendence will experience higher collective empathy and that a work group defined by shared values of self-enhancement will experience a lack of collective empathy.

Proposition 3a: Collective self-transcendence is positively related to collective empathy.

Proposition 3b: Collective self-enhancement is negatively related to collective empathy.

Because emotions and values are related and affect behavior, I propose that the interaction between emotions and values influence the relationship between ethical climate and ethical behavior such that the strongest relationship between ethical climate and ethical behavior occurs when both collective moral emotions (empathy) and collective moral values (self-transcendence values) are high or low (defined by a shared lack of empathy and shared values of self-enhancement). Collective moral emotions are more likely to have an affect on the ethical climate-behavior relationship when they align with the shared values of the organization.

Proposition 4: A three-way interaction between ethical climate, collective moral values, and collective moral emotion exists, such that the interaction effect between ethical climate and collective moral values is stronger when they align with the collective moral emotions of the work unit.

CONCLUSION

The extended model introduced in this manuscript adds collective moral values as a factor to the original model proposed by Arnaud and Schminke (2011). It discusses collective moral values as a dimension directly related to the ethical context of organizations and defines the process by which these shared values influence the emergence of ethical climates and ethical behaviors. Values are deeply held beliefs that serve as guiding principles in work units such that self-transcendence values are related to other-focused ethical climates and self-enhancement values are related to self-focused ethical climates. Furthermore, these moral values are also related to the desire and ability to identify with others and care for the welfare of others such that self-transcendence values are positively related to collective moral emotions and self-enhancement values are negatively related to collective moral emotions.

The proposed model includes only collective moral values. It may be useful to consider additional factors to increase our understanding of the complex ethical climate-ethical behavior relationship. For example, Schwartz's framework identifies a broader array of values besides self-enhancement and self-transcendence values. These values are believed to be less in conflict with ethical values, such as those reflecting conservation (e.g., security, tradition) and openness to change (e.g., stimulation and self-direction). Values like these do not represent such stark contrasts with moral values, and therefore offer two opportunities for better understanding the relationship between values and ethical climate. First, they suggest it may be useful to explore whether values like these represent a significantly weaker threat to ethical values (and in turn, to ethical climate) than the more

directly opposed self-enhancement values. Second, they suggest a need to consider the impact of multiple sets of competing values, battling simultaneously for influence over climate emergence. Both of these issues have the potential to offer more accurate and complete insights about the processes by which values influence climates in general and ethical climates in particular.

Also, moral identity (Aquino & Reed, 2002; Reed & Aquino, 2003) has potential as a moderating variable. Moral identity refers to a person's self-conception, organized around a set of moral traits. These traits include fairness, friendliness, generosity, helpfulness, being hardworking, honesty, and kindness, as well as caring and compassion. Moral identity has been linked to individuals' moral reasoning, normlessness, sympathy, negative reciprocity norms, and prosocial behaviors such as volunteering and donation behavior (Aquino & Reed, 2002). As such, moral identity—at the individual and collective level—may interact with ethical climate to affect ethical behavior. For example, stronger group identities may exacerbate the impact of climate on behavior, as individuals seek to behave in ways consistent with group norms and standards (Stets & Burke, 2000; Terry & Hogg, 1996).

Undoubtedly, even though research on ethical climate is extensive and we have identified many factors that attribute to the emergence of ethical climates and the causes of ethical transgressions much work is left to do. The propose model may help shed more light on the process by which ethical climates impact ethical behavior. This work attempts to address this gap in the literature by proposing the relationships of the factors that define the ethical context of organizations. The next step will be to study the proposed relationships in organizational settings.

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Governance Issues

CORPORATE GOVERNANCE: THE ROLES AND IMPORTANCE OF BOARD COMMITTEES ON LEGAL COMPLIANCE AND ETHICS

John Holcomb[1]
Stephen Schlieman

Abstract: This paper examines the extent and formation of legal compliance and ethics committees on the corporate boards of the top 200 companies within the Fortune 500. It first suggests possible reasons for the formation of such committees, including heightened legal exposure, overburdened audit committees, and legal incentives that reward companies for effective efforts to establish and monitor internal controls. The paper secondly examines the more prevalent existence of public responsibility committees of corporate boards and explains their jurisdiction and responsibilities. Thirdly, the paper examines the presence of women on audit committees, versus less powerful committees, in order to ascertain their real power in corporate governance.

Keywords: corporate governance, business ethics, and legal compliance

INTRODUCTION

The corporate scandals since the Enron collapse in 2001 and disclosures of other corporate wrongdoings have raised questions about corporate boards of directors and their complicity in the scandals. Those questions, along with the passage of the Sarbanes-Oxley Act in 2002, have elevated the accountability of board audit committees and strengthened their independence. That focus on the audit committee has in turn increased the activity and workload of committee members.

Legal incentives and liabilities created even prior to Sarbanes-Oxley have also fortified the importance of audit committee functions, as well as of the board generally. In 1994, for instance, the U.S. Supreme Court in the *Caremark* decision extended the duty of care of directors to include a supervisory duty over corporate internal controls. After that decision, corporations must now institute systems of internal controls, and boards must monitor their effectiveness. That duty falls on all directors but practically even more so on audit committee members, where legal liability may be greater than for other directors under a concept of differential liability (Buchalter and Yokomoto, 2006; Brochet and Srinivasan, 2014; Hogan, Schmidt, and Thompson, 2014; Licker and Sherman, 2014; Linck, Netter, and Yang, 2008).

That common law duty has been reinforced by the U.S. Sentencing Commission guidelines as applied to organizations. A major aspect of the guidelines are the mitigating factors which corporations can cite to lower their sentences, when found culpable for a criminal offense. If a corporation takes responsibility for an offense, cooperates with a government investigation, and

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adopts remedial and preventive measures, it might be able to substantially lower a criminal fine or punishment.

A well-maintained and supervised system of internal controls would include remedial and preventive measures, including an effective code of conduct, which would help companies mitigate a sentence. Further, adopting the same steps might even protect a company from a criminal charge, under the terms of the Justice Department's McNulty Memo. Most government regulatory agencies have adopted similar guidelines to determine whether or not to charge a company in that regulated industry. Deferred prosecution agreements also usually include conditions that corporations upgrade its internal controls and system of legal compliance, including the hiring of many more compliance officers (Greenblum, 2005).

With all the legal obligations and incentives now imposed on corporate boards, and especially on audit committees, it raises a question whether audit committees now face onerous burdens they are not equipped to handle. If a legal charge relates to accounting or financial misdeeds, that charge might logically fit within the jurisdiction and expertise of the audit committee. Even then, the financial expertise within an audit committee might not be sufficient to address subtle or technical legal issues and increasingly complex compliance responsibilities. Other charges or issues that go well beyond financial or accounting issues might transcend the expertise and capacity of the audit committee.

For example, shareholders and advisory firms Glass Lewis and Institutional Shareholder Services (ISS) brought pressure against JPMorgan Chase directors for their failure to monitor and control high-risk trading in the London Whale scandal. The Advisory firms advised shareholders to vote against retention of the three members of the risk committee, while others advised the shareholders to also vote against audit committee members (Craig and Greenberg, 2013; Johnson, 2013; Morgenson, 2013; Silver-Greenberg, 2013). Likewise, shareholders have challenged the Wal-Mart board for failing to monitor and control the wave of bribes by its Mexican officials (Barstow, 2012; Bastillo, 2012; Clifford, 2012; Clifford and Greenberg, 2012; Martin, 2012; Morgenson, 2012). In 2012, one third of non-family shareholders voted against four directors, including the chairman of the audit committee (Clifford, 2013). Under pressure, the company and its board have improved its global compliance program (Harris, 2014b). ISS also advised shareholders to vote against seven of the ten members of Target's board in 2014 for failing to insure and monitor cyber-security that might have prevented an identity theft scandal (Harris, 2014a).

For all of the foregoing reasons, and even while most corporations still put monitoring of internal controls in the hands of the audit committee, some corporate boards have created ethics and compliance committees, under that name or several others. Whether or not that development will become the wave of the future is yet to be determined.

PURPOSE

The purpose of this paper is to investigate and partially explain the rise of such nontraditional committees. The purpose is not to assess the effectiveness of such committees, which is being addressed by research in progress. The paper will also compare the extent of ethics and compliance committees to the extent of another type of nontraditional board committee, that of the public

issues or public responsibility committee, which also travels under other names. As an ancillary aspect of this paper, it will also comment on the presence of women on corporate audit committees, since membership on such a more powerful board committee would also indicate the relative power of women on the board and the seriousness with which a company might take the issue of gender diversity.

The most serious danger of forming any new entity or committee of the board is that it winds up being mere window dressing. It is important that a committee label not simply be symbolic but that the committee actually performs well. If not, having such a committee could be worse than having no committee at all, if the title and alleged jurisdiction of the committee are not fulfilled. Since the 1970s, many boards have formed committees with titles like public issues, public responsibility, corporate responsibility, or more recently sustainability. The agenda of such committees have mainly focused on external issues and external relations. Philanthropy, stakeholder engagement, and formulation of public policy positions and strategy often find a home in such a committee. One of the purposes of this study is to ascertain whether such committees also have jurisdiction over more current and crucial responsibilities, such as the internal function of ethics and compliance and monitoring internal controls.

METHOD OF STUDY

In the main, opacity surrounds the operations of the corporate board and of board committees. Minutes of meetings are not posted or disclosed, and media coverage is nonexistent, except when a corporate crisis occurs. Nevertheless, some information is available in an uneven fashion. Corporations do post their committee charters on their corporate websites, and occasionally the membership in each committee. They also post the frequency of committee meetings. From that information, one can infer some important baseline information regarding the importance of each committee. First, if a committee meets frequently, one can infer that the committee is more important. Second, the length of a committee's charter provides a rough indication of its importance and the level of its responsibility. Third, the content of the committee's charter provides an even better indication of the issues within its jurisdiction.

This study uses that information to examine the frequency of committee meetings, its membership when available, the length of committee charters, and the content of those charters. Through this examination, the study was able to distinguish between two types of nontraditional committees, what we call generically the public responsibility committee and the ethics and compliance committee. This study focuses on the Fortune top 200 corporations, based on the fact that the largest and most complex corporations have the greatest legal exposure and have the greatest number of legal violations and investigations reported by the media. If audit committees were overwhelmed with their monitoring responsibilities, it would most likely be among those corporations. This study also selected the top 200 companies for examination since they have the greatest number of nontraditional public responsibility committees, as reported in a previous study. Hence, we conducted a content analysis of the charters of both types of committees among the top 200 corporate boards. We hypothesize that:

> *H1: Public responsibility committees, which basically emphasize external relations and external issues, are important but less powerful than ethics and compliance committees.*

H2: Ethics and compliance committees, which emphasize internal ethics and legal compliance responsibilities, are more powerful and more crucial than public responsibility committees and handle duties that are handled in other companies by audit committees.

The study further hypothesizes, based on more uneven and preliminary data, that:

H3: Women directors more frequently participate as members of less powerful but important public responsibility committees, and

H4: Women directors less frequently participate as members of more powerful audit committees and even of the ethics and legal compliance committees.

FINDINGS

Legal Compliance and Ethics Committees

Based on all three factors (frequency of committee meetings, length of committee charters, and content of audit committee and legal/compliance committee charters), we found that of the top 200 corporations, there are only five with legal and compliance committees with jurisdiction over crucial internal issues. Four of the five companies are from the pharmaceutical industry – Abbott Labs, Johnson & Johnson, Pfizer, and Amgen. The other company, AIG, is in the financial sector. Four of the five committees have the words "regulatory compliance" in their titles. Only Abbott Labs has a committee with the title of "public policy" that has internal compliance duties, which is unusual, given that most board committees with that title focus chiefly on external responsibilities.

Beyond the content analysis of committee charters, analysis of frequency of meetings of the ethics and compliance committees of the twelve aforementioned corporations confirms the crucial nature of those committees. Taking the pharmaceutical companies as examples, the Pfizer audit committee meets six times a year, and its charter is three pages long, while its regulatory and compliance committee meets four times a year, and its charter is even longer, at 5 ½ pages, denoting the serious range of its responsibilities. Pfizer may be the model for good corporate governance regarding oversight responsibilities. It has received awards for its corporate governance, has a senior-level corporate governance officer, and yet has nevertheless experienced two CEO crises during the reigns of Henry McKinnell and Jeffrey Kindler (Elkind and Reingold, 2011).

The regulatory, compliance, and government affairs committee of Johnson & Johnson meets four times as year, as does the audit committee, even though its charter is two pages long, while the audit committee's is four pages long. Amgen's corporate responsibility and compliance committee meets four times a year, as does its audit committee, while its charter is somewhat shorter at three pages, versus the audit committee's five-page charter. The Abbott Labs public policy committee meets four times a year, as does the audit committee, and even though it's charter is shorter than the audit committee's, the charter heavily emphasizes regulatory and compliance responsibilities. The committee also requires the ethics and compliance director to report three times a year to the committee. The regulatory, compliance and public policy committee of AIG's board meets four

times a year, as does the audit committee, even though its charter is considerably shorter, at two and half pages, versus seven pages for the audit committee's charter.

There are seven other companies with nontraditional board committees that share some of the compliance oversight responsibilities with the audit committees at those companies. Three of those companies are in the financial sector, while four are in the energy sector. At Morgan Stanley, the audit committee and the risk committee, which each meet four times a year, share regulatory oversight responsibilities. At Hartford Financial Services, the audit committee shoulders most of the regulatory oversight responsibilities and meets four times a year, but the firm's finance, investment, and risk management committee also meets four times a year. At Travelers Companies, the audit committee also bears most of the regulatory oversight responsibility and meets four times a year, with a nine-page charter, while the risk committee meets only as needed with a two and a half page charter.

In the financial sector, perhaps the most impressive example of shared responsibilities for regulatory oversight among multiple board committees is that of Wells Fargo. At that company, the audit committee meets seven times a year and has a charter of six pages; the risk management and finance committee meets four times a year, with a charter that is four and a half pages long; and the corporate responsibility committee meets four times a year, with a charter of two pages. In a similar vein, JP Morgan Chase has an audit committee that meets eight times a year, a risk policy committee that meets four times a year, and a public responsibility committee that meets four times a year.

In the energy sector, at Duke Energy, the audit committee met eight times in 2013, while the regulatory policy and operations committee also met six times that year. At Exelon, the audit committee meets four times a year, and has a five and half page charter, while the finance and risk committee also meets four times a year and has a substantial three and half page charter. At Baker Hughes, the audit and ethics committee meets five times a year, and has a seven-page charter, and carries the bulk of the regulatory oversight responsibilities. Meanwhile, a health, safety, and environment (HSE) committee meets only twice a year, has a three-page charter, and shares some of the oversight duties.

All in all, the twelve companies are found equally distributed among three industries, with four each in the pharmaceutical, financial, and energy industries. The labels of the various committees vary, according to the list shown in Table 1.

Public Responsibility Committees

While twelve of the top 200 companies have a board committee with some ethics and compliance oversight responsibilities, 89 of the top 200 companies each have a board committee on public responsibility, with 46 of the top 100 having such a committee and 43 of the next 100 having such a committee. Hence, those committees are much more common, but in reading their charters, it is clear they lack any jurisdiction over the more legally crucial compliance issues. Even in cases where the committee title includes the words "compliance, risk, or regulatory," the charters indicate that the primary responsibility for ethics and legal compliance in those companies rests in the audit committee. In that sense, the titles of those committees are somewhat misleading. The titles of such committees range all across the board, as one can see in appendix 1.

Table 1. List of Companies and Committees Central to this Study

Company	Committee
Abbott Labs	Public Policy
Johnson & Johnson	Regulatory, Compliance, and Government Affairs
Pfizer	Regulatory and Compliance
Amgen	Corporate Responsibility and Compliance
AIG	Regulatory, Compliance, and Public Policy
Morgan Stanley	Risk
Hartford Financial Services	Finance, Investment, and Risk Management
Travelers Companies	Risk
Baker Hughes	Governance, Health, Safety & Environment
Duke Energy	Regulatory Policy and Operations
Exelon	Finance and Risk
Occidental Petroleum	Environmental

The charters of most public responsibility committees range from one to three pages in length, and some meet only once a year. For instance, the charter of the Phillips Petroleum Company's public policy committee is two pages long, while the charter of Target's corporate responsibility committee is a single page. Kroger's public responsibility committee meets once a year, with a charter that is ¾ page long, while its audit committee meets four times a year and has a charter of four pages. In contrast, the Pfizer regulatory and compliance committee obviously plays a much more serious role.

Still, public responsibility committees are not exactly token or inactive committees; their charters simply indicate they focus on external issues, but they nonetheless play important roles. At General Motors, for instance, the public policy committee meets three times a year, versus six times a year for the audit committee. At Ford Motor Company, the sustainability committee meets three times a year, compared to four times a year for the audit committee. At United Health Care, the audit committee and the public policy strategies committee both meet four times a year, though the charter for the former is much longer than that of the latter. At MetLife, the audit committee meets six times a year, while the governance and corporate responsibility at least meets three times a year. At Microsoft, the audit committee meets eight times a year, while the regulatory and public policy committee meets three times a year and has essentially an external focus. At Lockheed Martin, the audit committee meets four times a year, while the Ethics and Sustainability committee still meets three times a year.

The preliminary evidence of this study seems to confirm the first and second hypotheses. Based on their charters and frequency of meeting, public responsibility committees are important but less crucial than ethics and compliance committees. Further, ethics and compliance committees handle crucial duties that are otherwise handled in other companies by audit committees.

Women on Board Committees

Diversity of corporate boards is one of the most important aspects of corporate governance in the eyes of many shareholder resolutions and of regulators. European countries have pushed the issue

even more aggressively than has the U.S., with Norway having passed a law that requires 40 percent of corporate board seats to be occupied by women (Grosvold, Brammer, and Rayton, 2007). An earlier study (Peterson and Philpot, 2007) found that gender is not a major barrier to board participation on key committees, such as the audit, nominating, and compensation committees. In fact, there was much progress between 1994 and 2002 in breaking down those barriers and finding more women participating on finance committees. Given the responsibilities imposed on the audit committee by the 2002 Sarbanes-Oxley Act and by later rules and court decisions, one might conclude that the audit committee is even more central than it was in 2002. Based on its responsibilities and frequency of meetings, the audit committee can be seen as the most powerful committee of most corporate boards. Hence, it would be interesting to see it there have been changes in the participation of audit committees since the earlier 2007 study based on 2002 data. If women were members of the audit committee, or on increasingly important legal compliance and ethics committees on a proportional basis, rather than on less powerful public responsibility committees, that could be an indication that corporations saw women as major contributors to corporate governance. The three major studies of corporate board memberships up through the one using 2002 data had found that women were disproportionately represented on public responsibility committees (Peterson and Philpot, 2007), so it would help to know if that trend has persisted

The ancillary findings on participation by women directors on public responsibility and audit committees are not as persuasive. In some companies, women are underrepresented on more powerful audit committees, but that is by no means a trend. For instance, women are somewhat underrepresented on Pfizer's audit committee, with only one of four members being a woman, while four of the twelve members of the Pfizer board are women. However, two of the five members (including the chair) of the company's regulatory and compliance committee are women, and Pfizer is one of the five companies where that committee has serious and important responsibilities. Frances D. Fergusson, who chairs the regulatory and compliance committee, is also an experienced corporate board member. She served on the Mayo Clinic board for fourteen years and four years as board chair, served as a director of Wyeth for four years, which Pfizer acquired, and is also a director Mattel. She is also a member of two other Pfizer board committees and is President Emeritus of Vassar College, along with having served on four major nonprofit boards.

Of the twelve members of the Johnson & Johnson board, three are women, while two of the five members of the audit committee are women, a positive sign of their roles on the board. At General Motors Corporation, four of thirteen members of the board are women, but there is only one woman on the audit committee. Of the twelve members of the General Electric board, five are women, but there are no women on the five-member audit committee. Meanwhile, four of the six members (including the chair) of the governance and public affairs committee are women, but that committee is one that has a lesser role than most ethics/compliance committees and essentially handles external issues. Similarly, three of the eleven members of the United Technologies board are women, but there is only one woman on the audit committee, while three of six members of the less important public issues review committee are women. At AIG, which has only two women of fourteen board members, there is one woman on the audit committee and no woman on the important regulatory, compliance, and public policy committee.

Microsoft has only two women on its ten-member board, with one woman out of four on the audit committee and one woman of three members on the regulatory and public policy committee. Two of eight members of the Phillips Petroleum board are women, with one of four on the audit committee and two of four on the public policy committee. Merck has only two women on its twelve-member board, with none on the audit committee, but both are on the governance, public policy, and corporate responsibility committee. Coca-Cola has four women out of fifteen on its board, but none are on the three-person audit committee, while one of three on the public issues and diversity review committee is a woman.

Standing out as a unique example, though is the Target board, where all four members of the company's audit committee are women. Also, MetLife has four women out of twelve on its board, with two of the four on the audit committee and three out of the five on the governance and corporate responsibility committee. On the AT&T board, where there are four women out of fourteen members, two of six on the audit committee are women, while two of four on the public policy and reputation committee are women. Hence the pattern is mixed. Of the companies studied, there are typically more women on the lesser important committees than on the audit committee, but by only a slight margin.

Therefore, while the third and fourth hypotheses are weakly confirmed, it is clear that women are not simply tokens on corporate boards. They are fulfilling responsibilities on key committees, though less so in some companies on the most powerful audit committee. The top 200 companies have made more strides on board diversity than the general figures of all corporate boards would indicate, with it being common to find four or five women on those boards, not just one or two. They have therefore reached a critical mass on many boards, even as their placement on the most powerful audit committee could stand improvement.

FUTURE RESEARCH

This project is still in its incipient stages. In order for the results to really be significant, they must include many more corporations, perhaps the Fortune 500 or S&P 500. The data must also be aggregated, to indicate the average number of words in committee charters across all board committees, to roughly indicate the scope of responsibility of each committee. The content analysis has also been impressionistic and based on judgment to this point. The next step would be to apply a more rigorous methodology to examine the content and emphasis of each committee charter.

To more accurately assess the seriousness of any committee's efforts might also require an examination of the membership of each committee. By examining the backgrounds of each committee member, based on experience, expertise, and title or level of accomplishment, comparisons could be made between those committees. For instance, if a legal compliance and ethics committee is composed of senior executives with high levels of experience and expertise, one might add that as a variable to the frequency of committee meetings and nature of the charter to assess the importance of that committee. Along with doing that, one might ascertain and assess the skill set of each committee, to determine whether it is equipped to monitor legal compliance and ethical behavior. This would require an assessment of the total skill set on each committee, not just the skill sets of each individual. Fortunately, much information on board member backgrounds is

available on corporate website or through Internet searches, whereas surveys might have to otherwise provide such data.

Another step in future research would be to relate the existence and formation of serious board compliance committees to the extent of criminal violations by corporations or legal charges and the extent and types of legal settlements. Similar comparisons could be made between companies that had a large number of shareholder lawsuits to those that did not. That would also require finding when a legal compliance and ethics committee had been formed in order to discover whether it made any difference. One might study whether a certain level of legal charges had led to the formation of such a committee and also whether the formation of such a committee helped prevent future violations or charges or led to more reasonable settlements, from the perspective of the company.

One might also test whether the existence or formation of such a committee was more helpful in curbing illegal behavior than companies that relied solely on audit committees, or also had a public responsibility committee, by comparing companies within the same industry or with the same levels of legal exposure. One might also explore comparisons between companies that are more regulated and those that are less regulated.

Even though there are currently a small number of companies with legal compliance and ethics committees, one might examine the level of shareholder resolutions introduced against those companies both before and after the formation of such a committee. This investigation could also tap the existing literature and studies on shareholder resolutions, as correlated with the existence of a corporate responsibility or sustainability committee (Rehbein, Logsdon, and Van Buren, 2013).

Finally, future research could also contribute to and draw upon existing studies that correlate other features of corporate governance to either corporate financial performance or corporate reputation. To ascertain whether a legal compliance and ethics committee enhances corporate reputation or financial performance would be interesting. It would be perhaps even more interesting to ascertain whether a combination of nontraditional board committees, including a legal compliance and ethics committee, along with a risk committee, along with a public responsibility committee, would add even more value to the firm's performance.

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APPENDIX 1: Public Responsibility Committees

Top 100		Second 100	
Company	**Committee**	**Company**	**Committee**
Allstate	Risk and Return	AES	Governance and Corporate Responsibility
American Express	Public Responsibility	Alcoa	Public Issues
AT & T	Public Policy and Reputation	Capital One	Risk
Bank of America	Enterprise Risk	Century Link	Risk Evaluation
Best Buy	Corporate Governance and Public Policy	Eli Lilly	Public Policy and Governance
Caterpillar	Public Policy and Governance	Goodyear Tire & Rubber	Corporate Responsibility and Compliance
Chevron	Public Policy	Halliburton	Health, Safety, and Environment
CHS	Corporate Responsibility	International Paper	Public Policy and Environment
Citigroup	Governance and Public Affairs	McDonald's	Sustainability and Corporate Responsibility
Coca-Cola	Public Issues and Diversity	Murphy Oil	Health, Safety, and Environment
Conoco Phillips	Public Policy	Nike	Corporate Responsibility and Sustainability
Dow Chemical	Environment, Health, Safety, and Technology	Northrup Grumman	Policy
Exxon Mobil	Public Issues and Contributions	Raytheon	Public Affairs
Fannie Mae	Risk Policy and Capital	U.S. Bancorp	Community Reinvestment and Public Policy
Ford Motor Company	Sustainability	United Services Auto Association	Risk
General Electric	Governance and Public Affairs	United States Steel	Corporate Governance and Public Policy
General Motors	Public Policy	Baxter International	Public Policy
Goldman Sachs	Governance and Public Responsibility	Bank of New York Mellon	Corporate Social Responsibility
Hewlett Packard	Governance and Public Responsibility	Cummins	Safety, Environment, and Technology
Honeywell International	Governance and Responsibility	Freeport McMoRan	Public Responsibility
JP Morgan Chase	Public Responsibility	General Mills	Public Responsibility
Kroger	Public Responsibility	Marathon Oil	Health, Env, Safety, & Corp Responsibility
Lockheed Martin	Ethics and Sustainability	Onmicon	Qualified Legal Compliance
Merck	Governance, Public Policy, and Corporate Responsibility	PG & E	Public Policy
MetLife	Governance and Corporate Responsibility	PNC Financial	Risk
Microsoft	Regulation and Public Policy	Southwest Airlines	Safety and Compliance Oversight
Mendelez International	Governance and Public Affairs		
Morgan Stanley	Risk		
Philip Morris International	Innovation and Regulatory Affairs		
Phillips 66	Public Policy		
Procter & Gamble	Governance and Public Responsibility		
Prudential Financial	Corporate Governance and Business Ethics		
Sysco	Corporate Sustainability		
United Continental Holdings	Public Responsibility		
United Technologies	Public Issues Review		
United Health Group	Public Policy Strategies and Responsibility		
Valero Energy	Governance and Public Policy		
Verizon Communications	Governance and Policy		
Wells Fargo	Corporate Responsibility		

Corporate Social Responsibility, Responsiveness, & Performance

CONFERENCE THEME: "Reclaiming the Societal Dimension"

CORPORATE SOCIAL RESPONSIBILITY BOOSTS VALUE CREATION AT THE BASE OF THE PYRAMID

Thomas André[1]

Acknowledgements: I wish to thank Patricia Crifo, Jean-Pierre Ponssard, and François Perrot from Ecole Polytechnique as well as the anonymous reviewers of the 2014 EMAN and IABS conferences for their helpful support and feedback. The author gratefully acknowledges the financial support from the Business Sustainability Initiative and the chair for Sustainable Finance and Responsible Investment (FDIR) at the Europlace Institute of Finance, and from the ANR/Investissements d'avenir (ANR -11- IDEX-0003-02).

Abstract: Multinational enterprises (MNEs) have embraced the possibility to find growth opportunities by targeting the Base of the Pyramid (BoP) segment, while contributing to alleviate poverty. Taking stock of the notorious early BoP initiatives that were relegated to philanthropic programs highlights a tension to combine both societal and financial sustainability. The paper questions why and how MNEs reposition the value creation of their BoP initiatives in regards of their Corporate Social Responsibility (CSR) strategy. We provide an empirical analysis of present BoP initiatives, based on a multiple-case study of seven MNEs' initiatives and seventeen of their projects. The paper highlights three levels of CSR engagement at the firm level, which will translate into different strategies, organisations and types of value creation for BoP initiatives. We deliver novel insights for the study of the "business cases" of BoP strategies, which aim at gaining legitimacy, incubating strategic change and reaching profitable growth.

Keywords: Multinational Enterprises, Corporate Social Responsibility (CSR), Base of the Pyramid (BoP), business case

INTRODUCTION

Multinational enterprises (MNEs) have embraced the possibility of finding growth or strategic opportunities by targeting poor population markets constituting the "Base" or "Bottom of the Pyramid" (BoP), while contributing to the alleviation of poverty (Prahalad & Hammond, 2002; Prahalad & Hart, 1999). In 2000, Hewlett-Packard (HP) was one of the first MNEs to launch a global and promising initiative, called e-Inclusion, aimed at tackling the digital divide. The program, supported by Carly Fiorina, the former CEO of HP, extended the company's traditional philanthropic engagement to become the new strategic commitment of the company (Traça & Foryt, 2004). E-Inclusion marketed products and services in underserved communities as a means of creating prospective growth for HP in emerging countries. Five years later, Fiorina was ousted from the company. Her successor terminated the e-Inclusion initiative, noting that it could not demonstrate sufficient returns on investments (McFalls, 2007; Schwittay, 2011). Support for entrepreneurship and improved education was brought back to the company's philanthropic activities. The case of HP is not the sole example of a "failure" in targeting the BoP segment. In this

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regard, Simanis and Milstein, reviewing business divestments, urge MNEs to "bring business fundamentals back to the forefront of the BoP concept" (Simanis & Milstein, 2012). This highlights the tension that MNEs are facing to reconcile both objectives of their BoP strategies: being economically sustainable and being an integrated part of social responsibility concerns.

The BoP concept was initially built on a commercial lens that calls MNEs to adapt locally in order to grow in untapped markets of low-income consumers (Prahalad & Hammond, 2002; Prahalad & Hart, 1999, 2002). Initiatives led by Hindustan Lever Ltd (HLL), Procter & Gamble (P&G) or Hewlett Packard (HP) shed light on the potential for MNEs to reach untapped markets by selling to the poor. Critiques emerged, claiming that no market exists, that serving BoP populations should be incorporated into the main business model, and that projects do not actually target the poorest (Crabtree, 2007; Karnani, 2007b; Warnholz, 2007). However, practitioners continued to work toward serving BoP customers. A few years later, numerous initiatives were launched with the vision of integrating the poor populations in the design of the ventures, characterizing them as a "BoP 2.0" generation (Simanis & Hart, 2008). Projects like Grameen Danone Foods Ltd, Patrimonio Hoy from Cemex, and the Community Cleaning Services (SCC) initiated by SC Johnson show the development of ventures led by Corporate Social Responsibility (CSR) concerns. This trend demonstrates that MNEs aspire to a double or even a triple bottom line. In that sense, companies seem to have adopted Davidson's (2009) recommendation, which urged MNEs to incorporate the core elements of CSR into the BoP concept "if they are to have any chance of success."

In this paper, we consider CSR following the European Commission (2001) definition as "a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis." Therefore, we assume that CSR cannot be solely approached as philanthropic activity, as some elements of the literature describe (Carroll, 1991).

The aim of this paper is to question why and how MNEs implement BoP initiatives and thereby reposition their value creation system with regards of their CSR strategy. Indeed, paradoxically, numerous multinationals continue BoP initiatives or have recently started them. Business efforts are often motivated by ethical concerns from, which help to mobilize collaborators. Meanwhile, managers leading BoP initiatives seem overtaken by business challenges: they are directed to earn short-term returns, yet they are engaged in a long-term process of innovation to address social issues (Seelos & Mair, 2007). We argue that BoP efforts will only survive if companies articulate them as part of Corporate CSR policies, which must themselves be clearly embedded in companies' strategy. This paper provides empirical elements for the discussion of the BoP concept from an MNE's perspective; MNEs were central to Prahalad's initial work, yet they have been identified as missing from most BoP literature (Kolk, Rivera-Santos, & Rufin, 2012).

MATERIALS AND METHODS

For purposes of theory building (Eisenhardt & Graebner, 2007), we conducted a comparative case study of seven multinational enterprises that are implementing BoP initiatives. Multiple-case studies provide a systematic analysis of complex causal links in the presence of numerous different factors (Yin, 2009), which is of particular importance when reviewing BoP strategies that have been already studied in the past literature and simultaneously introducing new ones, as we do in this paper. While

the companies studied are not statistically representative, they were selected based on their role in the domain of BoP and their inclusive business strategies (e.g., leadership), their diversity of industry (i.e., cross sector), their geographies of intervention (e.g., cross country), and their modality of operations (i.e., different business models). One of them – Grundfos – is headquartered in Denmark, while the other six – Danone, Electricité de France (EDF); Essilor; Lafarge; Schneider Electric; and Veolia Environnement are headquartered in France. To answer our research question focusing on both the corporate and field levels, the paper is positioned as an embedded, multiple-case study. Ten semi-structured interviews with managers or directors at the corporate level permitted us to focus on the strategy behind the BoP initiatives. Survey questionnaires for managing directors of 17 BoP ventures and projects at the field level – mostly composed of multiple-choice questions based on the review of the literature – completed the sub-case analysis. The integration of internal documents and secondary data (institutional documents, communication documents, previous cases, and press articles) completed the triangulation. Table 1 gives an overview of the selected companies' BoP initiatives and their related projects.

LITERATURE REVIEW

A common anchorage of value creation for BoP and CSR strategies

Efforts have been made to describe MNEs' motivations for adopting CSR and to describe the business case for doing so. Strategically speaking, Kurucz, et. al recall the business case for CSR as the opportunity for a company to "perform better financially by attending not only to its core business operations, but also to its responsibilities toward creating a better society" (Kurucz, Colbert, & Wheeler, 2008). They describe four types of business case for CSR, namely "Cost and Risk Reduction," "Competitive Advantage," "Reputation and Legitimacy," and "Synergistic Value Creation." When discussing the BoP strategies, the business case revolves around its creating a competitive advantage. They justify that BoP strategies are mostly pursued by Western firms entering less developed geographies; much of the financial value is captured by the MNE rather than by the country's population. In contrast, Halme and Laurila (2009), with their intention to study the outcomes of CSR activities, clearly define BoP strategies as "Corporate Responsible Innovation": developing new business models that tackle social and environmental issues. Similarly, Porter and Kramer (2011) precisely describe BoP strategies as a lever for "creating shared value." The meanings of CSR "Innovation" and "creating shared value," however, are similar to "synergistic value creation" in the sense that they all describe an opportunity to create value for both the company and society. The literature focusing on BoP strategies mainly addresses the field level rather than examining the broader strategies of firms undertaking such initiatives. A first attempt to deepen the understanding of value creation captured by companies that implement BoP initiatives has been conducted by Keating and Schmidt (2008), revealing three types of opportunities for "financial gain," "strategic business improvement," and "financial, strategic and philanthropic benefits." Companies' representatives cited first the financial benefit in targeting the BoP segment. Their study also highlights secondary benefits, which represented valuable impacts such as positive public relations, development of employees' competencies, spreading innovation, and organizational restructuring.

Table 1. Overview of companies' BoP initiatives and their field projects

Company Name	Industry	BoP initiatives	Year of 1st project	BoP projects geographies*	Activities in BoP projects
Danone	Food and beverage	- BoP Business Unit - danone. communities	2005	Bangladesh, Cambodia, China, France, India, Indonesia, Mexico, Senegal	- Development of enriched dairy products or bottled water distributed in low-income areas through dedicated distribution channels. - Financial and technical support to social businesses in the dairy or water sector.
EDF	Electric utility	Access to Energy	1999	Botswana, Laos, Mali, Morocco, Senegal, South Africa	- Investment in and support to Rural Electricity Services Companies (RESCOs) to deliver access to energy to rural areas through products or small-scale infrastructures. - Contributes to communities' electrification in the scope of big infrastructures contracts.
Essilor	Eyeglasses	New Vision Generation	2006	Brazil, China, India, Indonesia	- Formerly, optometrists vans performing in-situ eyeglasses manufacturing in rural India. - At present, distribution of standardized lenses and frames through networks of rural entrepreneurs
Grundfos	Pump manufacturer	Lifelink	2007	- Eastern Africa (Ethiopia, Kenya, Malawi, Tanzania, Uganda, Zambia) - Western Africa (Burkina Faso, Ghana, Nigeria) - South-eastern Asia (Thailand)	- Development of solar pumping systems integrating a mobile-based prepayment solution, and deployed through partnerships with NGOs, water utilities or governments. - Pumping system components and services provider to NGOs, water utilities or governments.
Lafarge	Building materials	Affordable Housing	2008	Bangladesh, Brazil, Cameroon, Honduras, France, India, Indonesia, Kenya, Morocco, Nigeria, Philippines, Serbia, Sri Lanka, Zambia	- Distribution of housing materials dedicated to the extension of houses or shops, sold through microfinance. - Rehabilitation of slums. - Social housing programs with real-estate developers and governments. - Social housing projects in developed countries.
Schneider Electric	Energy management	BipBop	2009	Bangladesh, Benin, Brazil, Burkina Faso, Cameroon, Chad, DR Congo, Egypt, Ghana, India, Madagascar, Nigeria, Peru, Philippines, Senegal, South Africa, Thailand, Vietnam, Zimbabwe	- Investment in SMEs in the sector of access to energy. - Development of energy access products solutions deployed in rural areas through partnership with dedicated distributors or governments. - Creation of training in energy trades through sponsorship to non-profit organisations.
Veolia Environnement	Environmental services	- Acces - Innove	2002	Bangladesh, Colombia, Ecuador, Gabon, India, Morocco, Mexico, Niger	- Contracts with local authorities (PPPs) combining technical support, financial and economic support, and services and administrative support. - Small-scale water treatment facility to distribute water to local rural communities through direct connexion or to urban areas through bottles.

* Underlined projects' geographies have been studied through a complementary survey questionnaire

Early reviews of BoP strategies distinguished among "BoP 1.0" and "BoP 2.0" models (Arora & Romijn, 2012; Munir, Ansari, & Gregg, 2010; Perrot, 2010), which respectively adopt a "market capture" approach in order to increase sales and profits, and a "market creation" approach leading to disruptive innovation. The following review of the BoP literature, in line with this dual definition of *commercial* and *societal* BoP models, helps us to learn from the successes and failures at the BoP in order to propose what would be an *integrated CSR* BoP model for MNEs that continue such ventures. Table 2 summarizes our hypotheses about the emergence of an integrated CSR BoP model.

Table 2. The emergence of an integrated CSR BoP model

Strategy	BoP strategy integrated into CSR strategy. CSR strategy integrated into the company's strategy.
Organization	Deeply rooted in local business operations. Driven by entities close to the top management.
Corporate value creation	Indirect business returns (PR, competencies, innovation…). Tangible profitability on the mid-term.
Societal value creation	Acceptance of product & solution from BoP populations. Acceptance from stakeholders. Social impact monitoring.

Success and failure of the Commercial BoP model

A notorious example is the Wheel product launched by Unilever's Indian subsidiary Hindustan Lever Ltd. (HLL) in the late 1990s in response to the rapid change of its competitive landscape in India (Perrot, 2010). HLL's goal was to counteract the expansion of Nirma, an Indian leading company in fast-moving consumer goods that succeeded in reaching rural markets. HLL proposed a reformulated detergent sold in single-use packages (Hart, 2007) and introduced via an adapted distribution channel of small retailers, making it accessible to low-income populations.

From a theoretical perspective, MNEs are advised to seek national growth opportunities for which local adaptation can then be transported abroad (Prahalad & Fruehauf, 2004). In that sense, Simanis and Milstein (2012) emphasize including BoP markets in the day-to-day considerations of middle managers operating locally. This highlights the potential for replicating BoP ventures among MNEs implementations in different emerging markets. The decentralized organization of Unilever permitted its Indian subsidiary to "fly under the radar" and validate such an innovative business model for the company (Hart, 2007). Unilever replicated the successful Indian business approach in other markets. On the corporate value creation side, language used by Prahalad in his seminal book emphasizes the importance of rooting BoP deeply into the business, leading companies to develop self-sustaining business models for which high volumes of sales would cover investment and exploitation (Prahalad & Fruehauf, 2004). Following this principle, HLL did reach a 25 percent growth in profits per year for 1993-1999 (Hart, 2007). However, selling small packaging in rural areas or urban slums is not a panacea, as testify the cases of P&G and DuPont, which respectively launched a water purification powder in 2000 and a soy-based protein in 2005. Both companies terminated their new businesses when they realized that sales growth would not ensure profitability over time (Baddache, 2008; Simanis, 2012). In opposition to HLL, P&G and DuPont would have faced reluctance from consumers to change their consumption habits.

On the societal value creation side, empirical evidence for a causal link between market inclusion and social transformation, a key component of Prahalad's work, remains elusive. Some critiques have rejected the idea that selling new products and services to the poor is a relevant poverty alleviation approach (Arora & Romijn, 2012; Karnani, 2007b; Walsh, Kress, & Beyerchen, 2005). Over-marketing towards poor consumers has also been denounced. 'Fair and Lovely' skin whitening face cream – another brand of HLL – has been highly criticized for not serving the broader social welfare of BoP populations and even perpetuating sexist and racist prejudices among young populations of developing countries (Karnani, 2007a). While the Fair & Lovely brand is a commercial success, NGOs and some Indian government bodies considered that its social impact was negative. In this context, we should consider the social value creation of a BoP strategy to be as critical as its financial viability, should a company consider it as an integrated part of its sustainable development strategy.

Success and failure of the Societal BoP model

Another notorious example is the e-Inclusion initiative, launched in 2000 by HP to empower BoP communities through enabling access to Information and Communication Technologies (ICT) (Traça & Foryt, 2004). The approach was considered exemplary in terms of "relationship building, empowerment, and deep involvement with the BoP" (Ansari, Munir, & Gregg, 2012). HP was motivated to create growth opportunities in emerging markets, while improving public relations (Matambanadzo, 2001). In 2005, the e-Inclusion initiative withdrew from the company's CSR agenda when HP's direction changed.

From a theoretical perspective, such BoP approaches focus on cross-sector partnerships as a key condition to create markets at the Base of the Pyramid (Brugmann & Prahalad, 2007; London & Hart, 2004; Murphy, Perrot, & Rivera-Santos, 2012; Reficco & Márquez, 2012; Seelos & Mair, 2007). Internally speaking, societal BoP model requires a dedicated entity close to the top management and relying on patient capital and long-term commitment (Karamchandani, Kubzansky, & Lalwani, 2011; Kennedy & Novogratz, 2011; London, 2010; Simanis & Hart, 2008). However, a first reason for HP's failure lies in the fact that the company was incapable of absorbing into its broader organization and strategy what appeared to be solely a CEO-driven program (McFalls, 2007). The program also lay in an emotional promise to serve sustainably the world's billion poor, highlighting a disconnect with a business rationale of the company (Simanis & Milstein, 2012). On the corporate value creation side, societal BoP ventures are intended to lead to reverse innovation for mature markets (Faivre-Tavignot, 2012). However, a second reason for HP's withdrawal of the e-inclusion initiative resides in the fact that a short-term commitment frustrated the operational teams who had to achieve results within a period of three years (Schwittay, 2011). The new CEO considered that the initiative had not demonstrated sufficient returns on investments and that solutions created for the BoP market could cannibalize traditional business (McFalls, 2007). SC Johnson experience with its Community Cleaning Services (CCS) venture in slums of Kenya also did not lead to the promised economic results (Thieme & DeKoszmovszky, 2012). This flagship venture of the BoP protocol was considered as a success in meeting the expectations of local stakeholders. The company continues to develop BoP projects while highlighting the integration of BoP strategies within the broader strategy of the company.

Tracking social changes is not traditional for MNEs but instead is used by development institutions or NGOs. Some authors have called for taking into account the multidimensionality aspect of poverty, or the capabilities of low-income people (Ansari et al., 2012; Crabtree, 2007). This shift in paradigm started a part of the BoP literature studying new metrics for tracking the social impact of ventures, rather than solely analyzing direct sales (Clay, 2005; London, 2008). In opposition, Simanis and Milstein (2012) argued more recently that internal business performance metrics should be used as a proxy for targeted social outcomes.

RESULTS

Corporate strategies towards the BoP segment

Three types of strategic engagement towards the BoP segment…

All seven companies studied provide evidence in favor of deep integration of sustainable development stakes into their core activities. While most of them integrated first environmental concerns into business considerations, societal issues and community engagement emerged primarily through philanthropic activities and charitable actions. The seven companies' stories indicate the importance of BoP strategies' extending core activities and being influenced by their Corporate Social Responsibility as well as their leadership positions in their respective industries. Although social responsibility concerns will guide each corporate decision, three different approaches to incorporating the BoP segment into business strategy may be taken. First, some companies will sign *dedicated sustainable development policies* through charters or commitments signed with stakeholders as in the case of EDF and Veolia Environnement. Second, other companies will set *commitments on results at the BoP segment* through explicit targets of millions of low-income people to be reached through their initiatives as in the case of Lafarge and Schneider Electric. Third, a *strategic repositioning of the firm* will engage the overall company by clearly stipulating in their motto or slogan that all the market segments are targeted, including the Base of the Pyramid, as is the case for Danone, Essilor, and Grundfos. These three types of engagements highlight the expanding boundaries of corporate strategies as companies seek to tackle societal issues faced by the Base of the Pyramid.

…based on three different business rationales

When targeting markets at the base of the pyramid, companies need to build a business case in order to justify their investment. Depending on the firms' CSR strategy, BoP initiatives will need to create both direct and indirect business results, as well as to capture short-term, mid-term or long-term corporate returns for the company. Interviews with corporate managers and directors reveal three business rationales for their BoP initiatives, which mainly aim at *gaining legitimacy*; *incubating strategic change*; or *reaching profitable growth*. Table 3 depicts the three business rationales of the studied BoP initiatives.

Evolving strategies?

BoP initiatives may adopt a trajectory that will cause their strategy and thus their business rationales to evolve. In that sense, an approach that seeks to gain legitimacy could lead to positive strategic change, improved value creation, and ultimately greater profitability. As an illustration, Veolia

Table 3. Three business rationales of BoP initiatives

	Gaining legitimacy	Incubating strategic change	Reaching profitable growth
BoP initiatives' Business results	**Indirect** ←	→	**Direct**
	- Contracts or tenders won - Public relations	- Products and business innovation - Reputation	- Sales increase
Company returns	**Mid-term**	**Long-term**	**Short-term**
	- Licence-to-operate - Competitive advantage	- Business screening - Strategic renewal	- Profitability - Market share
Focal point of value creation	Stakeholders	Corporation	Shareholders
CSR strategy towards the BoP	Sustainable development policies	Commitments on results at the BoP	Strategic repositioning of the firm
Examples of BoP initiatives	- EDF: access to energy mission - Veolia Environnement: former Acces methodology	- Danone: danone.communities fund - Lafarge: Affordable Housing programme - Schneider Electric: BipBop programme - Veolia Environnement: new Innove division - Grundfos: former Lifelink venture	- Essilor: new Vision Generation division - Grundfos: new Lifelink business unit - Danone former BoP business unit

created the Acces methodology in order to move toward Sustainable Development; several field contracts integrated a social engineering clause meant to serve BoP populations. At the time of writing this paper, this supportive approach towards business operations was being translated into a more top-down approach. The new Innove division, within the Market Innovation executive direction, develops social innovation projects at the field level with the support of local operations and then transfers acquired competencies and expertise to more traditional business units. Similarly in the case of Lafarge, pilot projects in social housing programs, agreed to by local authorities and real-estate developers, contributed to the shift in the perception of BoP markets as a potential business opportunity rather than a public-relations exercise (Perrot, 2011). The cases of Essilor and Grundfos illustrate the adoption of a stronger profit-oriented business rationale, as they both recently translated incubating projects into protected lines of businesses. However, we do not pretend that reaching profitable growth is the primary end for BoP initiatives. Companies may well valorize other indirect business returns. In that sense, danone.communities' managing director stipulates that the fund "is a laboratory to reach the greatest number of people, and that's it." Similarly, the EDF initiative has been granted a mandate to contribute to access to energy as a means of improving the company's relations with local authorities, or in support of local operations to include a social clause in contracts or tenders.

Organization and observed results

Implementing projects

In order to operationalize their strategies towards BoP segments, companies developed dedicated initiatives. They all parallel and support corporate strategic direction and activities, which are themselves closely related to or part of the executive committees of each company. This gives the initiatives mandates to develop market approaches based on their own rules. In accordance with London's case study (2010), dedicated BoP entities aim at protecting field projects from the influence of traditional metrics and processes. Interviews at the corporate level combined with questionnaires at the field level helped us to identify three ways of operationalizing BoP projects or ventures depending on the strategy that the company adopted. Table 4 depicts the ways of implementing BoP initiatives and their projects.

Table 4. Ways of implementing BoP initiatives and projects

	Gaining Legitimacy	Incubating strategic change	Reaching profitability
Organization of the BoP initiative	Transversal corporate function	Incorporated function	Dedicated vertical business unit
Role of the BoP initiatives	Support local operations or create external venture	Integrate with company's support functions & local operations	Operate autonomously
Relation with local business operations	Bottom-up: Answer to the needs of decentralized business units or stakeholders	Top to bottom With strong involvement of countries' direction and operations	Independent: Take advantage of the local brand recognition and market penetration
Example of field projects*	**EDF**: infrastructure contract (Laos) & RESCOs (Botswana, Mali, Morocco, Senegal, South Africa) **Veolia Environnement**: PPPs (India, Niger)	**Danone**: social businesses (Bangladesh, India, Mexico, Senegal) **Lafarge**: affordable housing business (Cameroon, Honduras, India, Indonesia, Kenya, Nigeria, Philippines, Zambia) **Schneider Electric**: access to energy business (Bangladesh, Brazil, Cameroon, Egypt, India, Nigeria, Philippines, Senegal, South Africa, Vietnam) **Veolia Environnement**: social business (Bangladesh)	**Essilor**: New Vision Generation division (Brazil, China, India, Indonesia) **Grundfos**: Lifelink business unit (Eastern Africa, Western Africa, South-eastern Asia)
Barriers to Growth	Projects' scale limited by nature Rely on awareness of social stakes from operations	Start-up positioning potentially marginalized from local business stakes Require adoption from support functions (HR, marketing, R&D, logistics)	Sensitive to short-term financial results objectives

* Underlined projects' geographies have been studied through a complementary survey questionnaire

Decentralized management of projects ensures their adaptation to the local contexts and markets targeted. The fact that BoP project managers are part of the companies' local team will ensure greater support from traditional business operations. In most cases, local country presidents also support these efforts, discussing their evolution but also tracking their results. Further, the role of

the corporate team in pursuing BoP initiatives remains central for all the projects. Indeed, they will act as a back-office for legal, financial and technical issues and facilitate the contribution from support functions of the MNEs in terms of R&D, industrialization, marketing, HR or logistics. The BoP initiatives are also in charge of defining their strategy and adjusting financial and social objectives either directly or through their presence on the board of external ventures. Moreover, their position within the company's hierarchy helps to initiate discussions and attract international partners as NGOs or financial institutions in the development sector.

From tracking results to accountability

Considering the tenure of the projects studied, their results demonstrate an increase of customers reached per year, highlighting the capacity for scaling up activities over time. BoP initiatives need to first focus on basic metrics for tracking both financial and societal results. On the financial side, the older the projects are, the more P&L statements or financial ratios will be used for assessing the economic sustainability of the projects, reconfirming the business functions of the projects or ventures. Similarly on the societal side, almost all of the oldest projects (71% older than 3 years) had performed social impact evaluations as a means of assuring accountability to public funders or of communicating to external stakeholders.

Looking back at the business rationales of BoP initiatives, direct profit generation from BoP projects has been described as potential but uncertain. Only three of the seventeen studied projects reported generating profits, while more than half are still in a process of reaching break-even. Our interviews reveal that companies also recognize the capacity of BoP initiatives to capture indirect financial benefits or extra-financial returns. Project managers, on their side, testify for improved relationships with traditional business partners in half of the cases, especially for the ones managed internally. Image improvements also attracted new customers for half of the projects, while it is a critical means for all the projects to build partnerships with local authorities. In terms of human resources, project managers report an increase in engagement, motivation and pride of local employees, as well as the development of new competencies for their collaborators involved in projects' implementation. In terms of broader strategic change of the firms studied, BoP field operations at Essilor and Grundfos recognize a shift in the company strategy, which is in line with the recent creation of dedicated business units focusing on the new segments. However, almost none of the initiatives and projects reported performance tracking of such indirect financial benefits or of extra-financial returns related to reputation, image, human resources or innovation on which the company would capitalize its traditional business and broader strategy.

CONCLUSION

Traditional prejudices against case study methods rely on the limited ability to generalize the findings (Yin, 2009). We acknowledge that the findings reported herein are uniquely tied to the cases we studied. The fact that most of the companies studied are headquartered in France may imply a potential bias in terms of geographic concentrations of interconnected companies (Porter, 2000). However, the multiple case study analysis of seven BoP initiatives demonstrated a replication of the same phenomenon under diverse conditions such as the companies' industries (FMCGs, water, energy, housing) and therefore business models implemented, as well as their geographies of intervention (African, Asian and Latin American countries) (Eisenhardt & Graebner, 2007).

The first literature review of the BoP concept published by Kolk et al. (2012) emphasized the low numbers of studies presenting empirical results, with only a small amount of the literature focusing on MNEs. Therefore this paper generally contributes to the BoP literature as it provides empirical elements appropriate for furthering the discussion of strategies, and it focuses on MNEs, the entities most central to Prahalad's initial work (Prahalad & Fruehauf, 2004; Prahalad & Hart, 2002). This study also contributes to the literature that considers BoP initiatives as integrated parts of Corporate Social Responsibility activities, aimed at creating value for both society and the company (Halme & Laurila, 2009; Porter & Kramer, 2011). BoP strategies as a component of broader business strategies have been poorly addressed in the literature. We reveal that the more firms integrate CSR engagements into their strategies, the more BoP strategies will succeed and scale up. We deliver novel insights for the study of the "business cases" of BoP strategies, which aim at gaining legitimacy, incubating strategic changem and reaching profitable growth. In addition, our study reasserts that deepened societal accountability of BoP initiatives leads companies to need to adopt non-traditional ways of tracking social value creation. While this is in opposition to Simanis and Milstein's (2012) recommendation to focus on business metrics, such accountability appears to be a determinant for initiatives relying on external funding and for mitigating reputational risks of "social washing."

We strongly encourage future research to explore management controls for sustainability performance, which will address the ways if assessing the business case for BoP initiatives. Future studies could also investigate the ways in which companies integrate performance monitoring and the impact measurement of social outcomes, beyond solely relying on a "simple" tracking of direct results.

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Corporate Social Responsibility, Responsiveness, & Performance

CONFERENCE THEME: "Reclaiming the Societal Dimension"

LOCAL COMMUNITIES' PERCEPTIONS OF HOTEL ACTIVITIES IN CORPORATE SOCIAL RESPONSIBILITY

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Abstract: Corporate social responsibility (CSR) continues to attract interest from tourism businesses, and many hotel companies are now substantially engaged in social and environmental responsibilities. This paper investigated local community perceptions of hotels undertaking CSR activities in provincial areas of Thailand. Semi-structured interviews were undertaken with local community members. Results show a hotel's CSR activities had been perceived to affect local communities' quality of life (QOL), which influences their perception of the hotels and CSR activities.

Keywords: corporate social responsibility; local community perception; hospitality

INTRODUCTION

Today, corporate social responsibility (CSR) has become part of the business paradigm whereby many companies accept responsibility for the way they impact society (Porter & Kramer, 2006). In particular, CSR has become particularly relevant in hospitality organizations, especially hotels, due to an increased focus on sustainable tourism (Sheldon & Park, 2011). Hotels have spent substantial resources in implementing CSR activities because among other factors, such activities are beneficial to local residents (McGehee et al., 2009) and in turn, the hotels themselves can benefit from a better image or even increased profits (Porter & Kramer, 2006). While hotel managers have claimed that they have contributed a large amount of money to residents in the community (McGehee et al., 2009), no studies that have asked communities how they actually feel about such matters have been found: whether they care about hotel CSR activities, whether the CSR activities make a difference in their lives, and if such activities change the way they think and behave toward the hotels? Thus, this research examines the perceptions of a specific stakeholder that has been neglected in CSR literature. Using a case study approach in Thailand, this study explores how local communities perceive hotels that undertake CSR activities.

LITERATURE REVIEW

This study draws from two main streams of literature: (1) CSR; and (2) tourism development impacts. In the CSR literature, stakeholder theory provides a theoretical foundation for firms to understand how their activities impact others or how they themselves are affected by other groups

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(Ulmer, 2001). In simple terms, stakeholders are classified as groups of people with common characteristics, interests or shared goals that may differ from other groups. This paper follows Freeman's (1984) suggestion that stakeholders are groups who can be influenced and affected by firms, including shareholders, customers, employees, and suppliers. Apart from these traditional stakeholders, Simmons (2004) suggested that firms are also expected to manage their responsibility to silent stakeholders, such as local communities and the environment. There are a wide range of CSR practices that corporations can engage in and consequently some CSR activities will affect different stakeholder groups to varying degrees (Spiller, 2000). For example, some CSR activities that directly impact local community members include donating money, and being involved in community affairs and activities (e.g., McGehee et al., 2009). In regard to businesses operating in the tourism industry, many studies have found that numerous corporations have been extensively engaged with CSR through their activities and policies (e.g., McGehee et al., 2009; Sheldon & Park, 2011).

In the literature, it is evident that responses to CSR activities by firms have been examined from the perspective of a number of stakeholder groups (e.g., McGehee et al., 2009; Sheldon & Park, 2011). The evaluation of stakeholders regarding CSR initiatives that can lead to positive or negative perceptions toward firms can be based on the relevant benefits of the CSR activities. In some studies, CSR initiatives are viewed as the characteristics of the company that satisfy stakeholders by offering them relevant benefits and improving the lives of the expected beneficiaries (e.g., Du, Sen, & Bhattacharya et al., 2008). Also, stakeholders' perceptions of CSR initiatives are based on the perceived motives of firms. Motives can be viewed from different ends of a spectrum which are anchored by altruism or profit motives. A number of researchers have revealed that consumers who recognize a firm's CSR practices as being altruistic are likely to reward the firm (e.g., Creyer, 1997; Ellen, Mohr, & Webb, 2000). In contrast, several other researchers have found that customers punished firms that were perceived as profit-centered in their CSR initiatives (e.g., Creyer, 1997; Sen & Bhattacharya, 2001). Overall, the most commonly investigated stakeholder perceptions regarding companies undertaking CSR activities are firstly the customer stakeholder group and secondly organizational stakeholders, such as industry, shareholders, managers, and employees.

In regard to 'local community' stakeholder groups, few studies have directly or indirectly investigated the relationship between local communities and the CSR concept, especially in the tourism sector (e.g., Bohdanowicz & Zientara, 2009). No studies could be found that have directly examined local communities' perceptions of hotels undertaking CSR activities. On the other hand, numerous studies have investigated local communities' perceptions toward tourism development (e.g., Andereck & Nyaupane, 2011; Gursoy et al., 2010). These tourism impact studies have focused on understanding local residents' reactions to specific tourism developments in their local area. Social exchange theory (SET) has been used to support much of the research on residents' perceptions toward tourism. SET suggests community members are likely to favor tourism as long as they perceive that the benefits outweigh the costs (Ap, 1992).

A more complex approach has been taken to explore how tourism has an effect on residents' perceptions of quality of life (QOL) (e.g., Khizindar, 2012). The concept of people's QOL has been defined slightly differently among researchers; however the broad concept of QOL is concerned with life satisfaction (Campbell et al., 1976). A small number of community studies have investigated the effects of tourism on QOL (Andereck & Nyaupane, 2011). QOL studies vary

slightly from mainstream tourism impact studies. That is, typical tourism impact studies narrowly focus on the way local communities perceive how tourism might affect their community, while QOL studies investigate the broader effects of tourism on their life and family life satisfaction, including satisfaction with their community (Allen, 1990). Even though no studies investigating local community perceptions towards the CSR activities of businesses could be found, the tourism development literature provides a sound theoretical background to inform this study. Therefore, CSR and tourism development impact literature provided the theoretical framework for this study. The purpose of this study was to explore how resident community members living in the area around a hotel perceive the hotel's CSR activities, whether such activities led them to support the hotel directly or indirectly, and the manner of such support.

METHODOLOGY

A qualitative case study was employed to gain insights into the nature of local community perceptions regarding hotels undertaking CSR activities. Thirty respondents were interviewed and the snowballing technique was used to find the next respondents. The sample comprised members of four selected local Thai communities located near hotels that have undertaken CSR activities: (1) Nakhon Si Thammarat (NK); (2) Surat Thani (ST); (3) Trang (TR); and (4) Chumphon (CP). These respondents were from a group of urban middle class and educated local residents in provincial areas of Thailand. They were most likely to be aware of, and have interest in, using hotel services, having parties and having meals at the hotel restaurants, attending meetings and supporting the 3-4 star hotels. There were 15 female and 15 male respondents aged between 30-69 years of age. There were different occupations, including civil servants, private company employees, shop owners, school/university staff and lecturers, and a non-profit organization employee. These jobs were the common careers of the local communities who lived around the hotels. In this study, the researcher was Thai and therefore, the interviews were conducted in the Thai native language. After each interview, the interview record was transcribed and translated from Thai to English. However, some initial interviews were examined in a preliminary fashion in Thai before proceeding to further interviews. This allowed the researcher to reflect on initial insights to guide the later stages of data collection. Pseudonyms for respondents and hotels were used for the purpose of de-identification. Abbreviations were used to denote the specific communities. The interview transcripts were analyzed for themes or issues and interpreted for meanings.

FINDINGS

The interview data analysis found that respondents were satisfied or dissatisfied with hotel CSR activities for various reasons. In particular, respondents appeared to favor CSR activities that could potentially benefit their communities and affect their QOL. One key theme is presented in this paper and refers to the perceived QOL. In other words, how CSR activities have been perceived to affect local communities' QOL, which is the satisfaction desired by local communities and how they feel or view their personal lives, as well as the community at large, that arises from or is attributed to CSR activities. Local communities are concerned with the effect of CSR activities on their QOL based on how these activities can make a difference to the community and indirectly improve their well-being in the long term. Accordingly, the theme of effectiveness of CSR activity was classified into two sub-themes: (1) making a difference to communities; and (2) long-term individual wellbeing.

Making a difference to communities

The first sub-theme of 'perceived QOL' is making a difference to communities, which refers to the concept that CSR activities undertaken by hotels should have a significant direct positive effect on communities. That is, did the hotel's CSR activities actually provide any 'real' benefit at all to communities? Many respondents believed that CSR activities that could address social problems immediately could provide direct benefits to the communities. Poverty is one the biggest problems in Thai local communities, in particular poor students who do not have enough money to study. A few people suggested that donating money and offering scholarships to children was a good thing to do because this would have immediate benefits to the local children. For example, a respondent from SR strongly suggested that the hotel should help poor children because the "…children are capable but have no opportunity; their status is as poor people." (Tom, male, 50, meeting organizer, SR).

In addition, the CSR activities that could directly assist local economic problems by promoting the communities were more preferable to several respondents. For example, a respondent from TR spoke specifically about the advantages of local events that were sponsored by the hotel saying that "The activities [cake and grilled pork festivals] can create a selling point for Trang. These activities promote what we already have become well-known for all over the country" (Jackie, male, 50, shop owner, TR). Hotel CSR activities then could promote resources that the community is already renowned for. In this case, community members are skillful in baking traditional cake and grilling pork with their own unique special recipe. The hotel together with the local government has added value to this local wisdom by creating festivals that have become famous among tourists. Therefore, when such festivals have been promoted, tourism has increased which benefits the community. In particular, a respondent expressed specifically about direct positive economic impacts from the hotel CSR activities to local businesses, stating that when the hotel sponsored the local festivals, "…the restaurants here have more customers." (Jackie, male, 50, shop owner, TR). The local economic situation therefore appears to have rapidly improved during the festivals.

However, even though the hotels generally had positive intentions to promote the communities, the respondents still possessed negative perceptions regarding the CSR activities because the hotels sometimes did not undertake the activities effectively. When the hotels did not control the quality of the CSR activities, it wasted time and money, and also tarnished the hotels' reputations. Most of the respondents from SR had negative perceptions toward the Food Fair, which was annually organized by the province and supported by large companies in the community, including the hotel. For instance, a respondent was strongly disappointed with the event, and the following statement implies that the hotel sponsored the local Food Fair without checking and controlling the quality of food in the event. The respondent gave serious negative feedback because the Food Fair did not provide any obvious benefits to the town and this consequently had a negative effect on the hotel reputation.

> *[I dislike] Surat Food Fair because the nature of the event is for people selling food in a tent. The event focused mostly on seafood, which is a very famous food type in Surat. However, the seafood selling at the event was not fresh at all. This has been going on for 5-7 years and the quality of seafood is still not in A grade (Robert, male, 50, shop owner, SR).*

Some respondents explicitly favored hotel CSR activities that could directly solve environmental problems. For example, a respondent from TR spoke in general about the planting of mangroves by the hotel, stating, "Mangrove forests are nurseries for water creatures." (Monica, female, 59, administrative officer, TR). This respondent felt very satisfied with the mangrove planting which directly benefited the ecology in the area. Another instance where hotels make a difference to the environment of the communities was by preventing natural disaster. For example, another respondent referred to additional specific benefits of planting mangrove forests, stating, "If we grow these forests it is a way to help protect against too much erosion from water." (Lindsay, female, 32, university lecturer, SR). Planting mangroves was seen as making a positive difference because the activity responds to a significant local environmental problem in the community, which is erosion and flood. As planting mangrove forests could directly reduce these problems in the community it tends to result in positive perceptions regarding the activities.

In contrast, if the hotel CSR activities did not directly improve the environment but instead worsened the situation, this could cause negative community perceptions toward the CSR activities. For example, a respondent from SR spoke in frustration about the practical implications of the hotel undertaking CSR activities that did not improve the environment in the community because the activities were not efficient.

> *People from Bangkok came with the hotel to plant mangrove trees but later on all the trees died. This is because they don't fully understand the nature of mangrove forests. If they plant mangrove trees inappropriately, this should not be called responsible activity (Robert, male, 50, shop owner, SR).*

Long-term individual wellbeing

The second sub-theme of 'perceived QOL' is long-term individual wellbeing, which refers to the perceptions of local community members in terms of how CSR activities indirectly benefit their individual long-term wellbeing. This sub-theme has a narrower focus on long-term indirect benefits of the CSR activities on individual's QOL. In tourism, researchers have found that local communities talked about personal direct benefits. In contrast, the interview data analysis found no instances of respondents favoring activities that would grant short-term direct benefits to themselves. Even though people talked about self-interests, they referred to indirect long-term benefits. In general, this data analysis found that positive perceptions arising from CSR activities were evident when CSR activities could provide indirect long-term personal benefits.
Most of locals perceived that CSR activities that reduce social problems in communities could provide indirect long-term benefits individually. It is apparent, from several respondent comments, that a key social issue for communities is safety and crime. Thus, the longer students stay at school, do well, and get better jobs, then the more there is a perception that there will be less 'bad' youths on the streets partaking in drug activity and other crimes. For example, the comment below from a respondent from NK spoke explicitly about what she felt could benefit from hotel's CSR activity. The comment below implies that she tended to feel confidently safer in such environments and welcomed the hotel's activities that supported efforts to reduce key social issues.

> *[awarding educational scholarship] I think it's good because the hotel gives the opportunity for local students to study, which is equal to the hotel building a future for those kids. […]. I think this will have an effect*

> *because when the community is full with good people; it will be safe and no crime. I think this will have positive impacts for sure. This may be indirect impact, such as safety and good environment in the community (Cameron, female, 33, insurance agent, NK).*

Moreover, the interview analysis found that CSR activities undertaken by hotels could indirectly promote good health in the local communities and indirectly benefit the respondent individually. For example, a respondent who was a grandmother of two grandchildren could indirectly benefit from the CSR activities by the hotel. When the hotel purchased sport equipment for the local children, this could help her grandchildren to use their spare time wisely. This could also indirectly promote health among the community. Thus, the children play more sport, they do not become involved with drugs, they have good health, and parents and relatives do not have to worry, which reduces stress. Also, when the children behave well, it could bring happiness to the families.

> *[support sport for local children] The activity helps the students to use their free time with sports and keep them away from drugs…it's good…People can become stronger and keep them away from disease. To exercise is better than taking medicine (Rihanna, female, 60, retiree, NK).*

In addition, it was found that the respondents perceived environmentally-related CSR activities undertaken by the hotels could reduce future natural disasters and prevent it happening to them in the future. The comment below infers that CSR activities could increase awareness among local communities to protect the environment and indirectly prevent and reduce flooding. These will in turn reduce those problems and make a better environment for the community and indirectly benefit the respondent individually. This respondent's community always gets flooded once a year. Even though it is not a severe case if compared to other provinces in Thailand, it causes damage to properties. Therefore, these environmentally CSR related activities could have indirect benefits to an individual.

> *[Growing mangrove forests, CSR activity undertaken by the hotel] Growing mangrove forests […] will help lessen carbon dioxide in the air and will reduce the heat in the environment and also trees can prevent or reduce flooding […] we have to stop the destruction of the environment and instead take good care of it (Richard, male, 35, lawyer, TR).*

Furthermore, a few respondents spoke implicitly about personal benefits of hotels' CSR activities on preserving the local culture. For example, a female retiree who had lived in the community for all her life and had strong ties to the region felt strongly positive about the hotel's CSR activity and stated about the hotel's support for the religious events in the province, "It is good. It helps preserve custom and tradition of the town" (Rihanna, female, 60, retiree, NK). This respondent was active in a social aspect because she was retired and mostly spent her free time at the temple nearby. Therefore, in this case the CSR activity could indirectly benefit the respondent. This is because this activity could raise local communities' awareness in preserving local culture and traditions. When these have been preserved, the respondent could indirectly preserve her way of life, which provided her with a feeling of belonging in the community.

A 40-year-old male respondent from NK who was career oriented, in contrast, focused more on economic benefits rather than social benefits like the retiree respondent. The respondent spoke implicitly about the future personal indirect benefits from the CSR activities in terms of economic

benefits as evidenced below. The respondent spoke impressively about the hotel letting the local communities grow pesticide-free vegetables to supply to the hotel. The respondent obviously felt passionate about the benefits that the farmers could get as well as his personal benefits in the long-term. The respondent uses the word "we" in the last sentence, which implies that he could see indirect personal benefits out of this CSR activity. This is because when the community becomes a center of pesticide-free fruit of the southern part of Thailand, it can boost the economy in the community and the respondent could gain indirect benefit from it.

> *…[I]f the hotel really wants local people to plant vegetables, they would educate local people and develop the process of the production. They would send somebody who knows well about it to help local people to grow vegetable. So, the local people will be educated on how to plant pesticide-free vegetable and they also earn money. In the future, the activity can be expanded to pesticide-free fruit…local fruit of course. Then, we can be a center of fruit in the south Thailand (Matt, male, 40, civil engineer, NK).*

Investment in CSR activities for local communities by businesses, including hotels, is expensive. The respondents favored the hotels' CSR activities that could have an impact on their QOL and perceived CSR activities positively when they could have significant impacts on the communities. Also, the respondents were satisfied when they could foresee their personal long-term benefits from the CSR activities indirectly. However, respondents regarded these activities negatively if they did not fulfil their perceptions of how CSR activities should benefit their QOL. Accordingly, regardless of the extent of hotels investment in CSR activities, local community members may not always appreciate such actions because of the perceived QOL impacts on their local communities.

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Corporate Social Responsibility,
Responsiveness, & Performance

CORPORATE PHILANTHROPY RESEARCH: ON THE VALUE OF THE RECIPIENT ACTOR, TIME AND NARRATIVE ANALYSIS

Tyron Love[1]

Abstract: This paper highlights the value of the recipient actor, time and narrative analysis to theory building in corporate philanthropy research. For corporate philanthropy, a system of gift/counter-gift is envisaged whereby recipient becomes donor in a re-occurring continuous spiral of giving activity over time, motivating the economy of gift exchange. Narrative methods can assist in the theory building exercise because they help build context by examining elements of managers' lives as causally connected episodes of experience.

Keywords: recipient actor, time, narrative analysis, corporate philanthropy research.

INTRODUCTION

Ostensibly, modern corporate philanthropy involves a business corporation's commitment to humanity and as such represents a broad philosophy of business social engagement. Definitions of corporate philanthropy, while seldom acknowledged (Gautier and Pache 2013), often rely on quite vague and contestable features such as the desire to promote the wellbeing of humankind (Saiia, 2001), to give for defined beneficial social purposes (Leisinger, 2007), to support a non-profit cause or organization (Wymer, 2006), or simply to help others (Adamonienė & Astromskienė, 2010). In general there is a common ground that is broadly understood as a corporation's desire to "... share their largesse with the larger society around them" (Burlingame & Young, 1996, p. xi).

While these definitions are usefully unrestrained for exploratory studies, they are symptomatic of research that is 'giver-centric' and 'un-balanced' in orientation, maintaining the problematic perception that corporate philanthropy is, and should continue to be, less about collaboration, relationship, and partnership than about business intent and strategy. Understandably, qualitative methods for such investigations have received little attention. This paper highlights the value of the recipient actor, time and narrative analysis to corporate philanthropy research.

THE RECIPIENT AND PARTNERSHIP

A small number of research investigations and researchers have sought to address the issue of the marginalization of recipients and the prospect of partnership as a research object. As one of the first, Yankey (1996) encouraged us to think about the impact of the corporate philanthropic partnership on the non-profit organization's mission highlighting the idea that corporate philanthropy is

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plurivocal – a theme that has since gained prominence through the work of several researchers (e.g. Cooke, 2008; Saiia, 2001; Smith, 2005). Saiia (2001) was one of the first accessible studies to consider non-profit organizations as the subjects of research investigation into strategic corporate philanthropy, using semi-structured interviews with corporate giving managers and group interviews with non-profit leaders to claim that "while corporate donors find strategic philanthropy appealing, some non-profit organizations (NPOs) are disturbed by this ongoing shift toward a more strategic practice of corporate philanthropy" (p. 59). The prospect of uncovering competing/alternative voices would seem in my view to be a fairly urgent issue.

In apparent recognition of the knowledge deficit regarding the recipient perspective, Rumsey and White (2009) examined, using a qualitative interview method, how managers of non-profit organizations perceive the benefits and motives of strategic philanthropic relationships with corporate partners. The researchers find that if corporations do not have clear motives, this is a barrier to in-depth strategic "partnerships," further revealing that satisfaction arises from partnerships whereby both giver and receiver realize mutual and equivalent benefits. Their acknowledgement of the recipient's voice is to be commended.

But it is anthropology and sociology are the disciplines that have theorized giving and receiving in the form of traditional gift-giving as social relationships in a much more comprehensive way (Mauss, 1924; Liebersohn, 2011; Vandevelde, 2000). We learn from these disciplines that giving and receiving are acts that include progressions over 'time' – to give is to then receive. This establishes an enduring system of reciprocity where the receivers are then compelled to give back in some form (Mauss, 1924). The suggestion that, "getting is important, too, but giving comes first" (Bremner, 1996, p. xi) highlights the order of events carried out under the banner of giving.

As such, a system of gift/counter-gift can be envisaged whereby recipient becomes donor in a re-occurring continuous spiral of giving activity motivating the economy of gift exchange (Godbout cited in Beatty, 2006). Sherry (1983) developed this notion in a consumer context, proposing a typology demonstrating how patterns of exchange integrate formal relationships between consumers and receivers of their gifts. Sherry explained how both donors and recipients are driven to give, receive and reciprocate in a process of exchange where social relationships are formed, maintained, developed and severed over time. While the time dimension appears to be a crucial component for understanding giving behavior, it also appears to be a taken-for-granted notion in corporate philanthropy research and is worthy of consideration.

For now, my assertion is that we are right to consider, and take seriously, the voices of non-profit managers in our theorizations. So doing reflects a commitment to the idea that corporate philanthropy is a complex web of intentional social relationships involving both givers and receivers (Saiia, 1999), that givers can only exist in relationship to receivers, and that the origins and foundations of givers and receivers are social and inter-subjective (Buchholz & Rosenthal, 2006). Narrative methods have a part to play.

A QUALITATIVE NARRATIVE APPROACH

Understanding human language constructions of managers' (both giving and receiving) experiences is closely aligned with qualitative methods (Carroll, 1979; Fioravante, 2011). Qualitative methods

allow researchers to explore culturally located vocabularies (qualities) (Alvesson & Kärreman, 2007; Alvesson & Sköldberg, 2000). For some qualitative researchers (particularly social constructionists), the publicly available social institutions that precede us, and that we inhabit and are inhabited by, are the source from which we make meaning (Crotty, 1998; Fish, 1990). Meaning is thus constructed through the inherent engagement between humans within a shared experiential social world (Lock & Strong, 2010).

Narrative approaches for collecting data in interviews offer the tools to encourage managers (participants) to craft their own stories about their working-lives and the incidents that interest them revolving around corporate philanthropy (see Bruner, 1991; Bryman & Bell, 2003; Schreyögg & Koch, 2005). Such questioning does not force managers to explain current states of matter, but rather to present reflections on their giving/receiving roles and partnerships; data is thus likely to be rich in participants' crafting of their experiences (Bamberg, 2007). A narrative approach demands that the researcher is an attentive listener (Flick, von Kardoff & Steinke, 2004), inviting stories (Myers, 2009) and providing "a facilitating context in the research interview" (Riessman, 1993, p.54).

The narratives that managers produce are privileged forms of language, since they are socially produced interpretive devices through which managers represent themselves both to them-selves and other-selves (Feldman, Skölberg, Brown, & Horner, 2004). A narrative is a piece of language that consists of states of affairs plotted together into a meaningful whole through chronology/time and causality involving characters/actors (Czarniawska-Joerges, 1998; Lawler, 2002). Narratives are seen to circulate culturally, to provide a repertoire (though not an infinite one) from which people can produce their own stories or narratives (Lawler, 2002). The narratives that managers experience and re-produce in the course of everyday organizational life are inherently related to culture, meaning, and language systems upon which they draw for substance and these narratives are constructed in interview situations allowing researchers to make sense of managerial experiences (albeit it partially, imperfectly, and temporarily) (Gabriel, 2000). As such, in the analysis of interview transcripts, narrative methods of analysis help researchers uncover the ways in which managers, as active subjects, construct working lives (Myers, 2009).

In particular, a narrative approach is useful for understanding the motivations of managers of corporate philanthropy because the narrative form of knowing is about organizing experience around the intentionality of human action (Czarniawska, 1999, p.14). It is plotted causality that is central to the narrative device distinguishing it from positivist forms of knowing (Ricoeur, 1991). Thus, the truth of a narrative/story lies in its meaning not its accuracy (Gabriel, 2000). Gabriel (2000) suggests that how people attribute motive to organizations and their actors (including themselves) can tell us much about the outcomes they hoped to achieve. Gabriel's method also allows us to uncover and interpret how managers cast organizations and managers with responsibilities and human-qualities; additional components important to understanding corporate philanthropy.

Actors of philanthropy (chair-people, managers, administrators) have meanings bestowed upon (attributed to) them by themselves and other-selves through the production of narratives that seek to develop and sustain environments in which corporate and non-profit interests thrive through philanthropic partnerships. Such partnerships are characterized – much like that in the tradition of gift-giving – by reciprocity, obligation, and perhaps manipulation (Love, 2012). Yet such statements

can only be derived at, this paper argues, through a sustained commitment to understanding the narrative production of philanthropy as it uncovers how human motives, responsibilities, qualities, emotions and temporalities meld together through the active construction of causality to build meanings of corporate philanthropy where other – particularly positivist inspired – methods at times fall short.

Statistical analyses and research which make use of numbers to construct reality in the positivist tradition are important in the production of knowledge since they are used to enact and express the values and concerns of people in the form of hard data and, in the context of modernity, are assumed to establish facts and truths about reality through the application of the scientific method providing objectivity (Ainsworth and Hardy 2012). Yet, statistical analyses seem inadequate as vehicles for building knowledge and meaning from human experiences of corporate philanthropy, since human philanthropic experience is essentially a cultural territory of non-material thoughts that are not static but rather enlarged by new experiences that are continuously being configured and refigured through human reflection (see Polkinghorne, 1988).

I suggest an analytical guide based on Yiannis Gabriel's (2000) work on poetic analysis. Gabriel (2000) argues that people use mechanisms to attribute meaning to characters/actors, incidents and events when they narrate their experiences as organizational actors. The attributions of motive, agency, unity, responsibility, character qualities, emotion, causal connection, and providential significance make up that framework and each mechanism represents a way of either giving meaning to specific parts in participants' narratives or making connections between those parts (Gabriel, 2000).

Having used Gabriel's (2000) method in a recent study, I have revised the method to 7 elements for the study of corporate philanthropic partnerships. The revision subsumes providential significance under agency, operationalizes time, and re-defines the temporal-causality of human performance as the narrative fabric. In the narration of corporate philanthropic partnerships, providential significance is already available through agency, the inclusion of time addresses a limitation in Gabriel's analytical method and allows researchers to uncover deeper time structurations, and the temporal-causality of human performance weaves the 6 elements together in much the same way as Gabriel intended but makes temporality more salient. Thus, motive, responsibility, quality, emotion, time, and agency become 6 elements woven together through the temporal causality of human performances becoming 7 narrative mechanisms for uncovering how participants make sense of corporate philanthropic partnerships.

To illustrate the use of this analytical platform, researchers can reveal giving and receiving actors' intentions to give, to accept, to reject, to give back (attribution of motive), whether actors are credited or blamed for those intentions (attribution of responsibility), the positive or negative qualities those actors subsequently take on (attribution of quality), the love, hatred, anger invested in actors that work to exaggerate the aforementioned (attribution of emotion), and how managers use and experience objective/clock and subjective/durational notions of time to express partnerships (attribution of time). Researchers can also uncover whether it is one person, groups or organizations that are the actors attributed with such meanings (attribution of agency) and how those meanings are linked to one another – for example, that 'a corporation gave $10,000 each year to a non-profit but

then stopped leaving a massive hole' links agency, motive, responsibility, quality and time through the attribution of temporal causality. Of course, this analytical platform is a starting point.

Given the analytical platform, what is required from this point is a theory building process and one that is not about creating a universal, single and lasting theory (see Charmaz, 2000) from managers' narrativizations. But rather, a process that produces theoretical depictions of cultures which exist in historical time between human subjects whereby the theories produced cannot, and should not, attempt to speak finally and with definitive authority for those subjects; a process that treats theory as a contextual, partial, imperfect and selective exercise (Riessman, 1993). Narrative methods can help in the theory building exercise because they help build context by examining elements of managers' lives as causally connected episodes of experience.

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Corporate Social Responsibility, Responsiveness, & Performance

CONFERENCE THEME: "Reclaiming the Societal Dimension"

ETHICAL FORESIGHT IN BUSINESS: INTERPRETING SOCIETAL CUES FOR BETTER ETHICAL MANAGEMENT

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R. Mitch Casselman

Abstract: This paper applies concepts of foresight to the ethical decision-making and the strategic management of organizational ethics programs. The approach views the intersection of business and society as a permeable frontier in which there is an iterative, ongoing exchange of information between various stakeholders. We view the ethical culture of an organization as an anticipatory system in which a predictive model of the systems future plays a role in the current behavior of the participants. This suggests that network or feedback causality can provide a theoretical link between a strategic vision of a future ethical state and behavior within the current ethical culture. Using this theory we develop a model for organizational ethics programs that argues for a long-term and widely dispersed view of the organization within its environment. The theory and the resulting model suggest a role for ethical foresight as a method to stave off ethical crises of societal import and to encourage a business-society interface that is ongoing, rather than one enacted only when a major ethical disaster emerges. This redefines the business-society relationship and puts the onus on the organization to continually interpret societal cues through dialogue and interaction and to reflect on internal organizational processes and decisions that may have contributed to ethical digressions in the past.

Keywords: Foresight, Anticipatory Systems, Feedback Causality, Ethical Decision-Making, Organizational Ethics Programs

INTRODUCTION AND OVERVIEW

The intersection of business and society is a permeable frontier whereby business excesses and missteps can damage relations with, and negatively impact society; and, societal norms and expectations can dictate the rules of the game for industry competitors. Business organizations that are prescient in interpreting societal cues and anticipating society's expectations for business performance are better equipped not only to avoid the pitfalls that accompany clumsy ethical blunders, but also to foresee the growing risk of a potential ethical crisis. At the same time, ethical behavior within organizations may be gradually deteriorating without the organization recognizing the signals of this deterioration that could lead to future ethical crises. We suggest that the ability to foresee growing risk of ethical crises and properly interpret society's cues for action comprises a set of skills that most individuals and organizations do not possess; and that in fact, there is a tendency for most individuals to over-estimate their future ethical behavior (Epley and Dunning, 2000; Bazerman and Tenbrunsel, 2011), thus inviting crises due to a lack of prudence or dedicated resources. In fact, Greenleaf suggests, "The failure (or refusal) of a leader to foresee may be viewed as an ethical failure" (2002: 39). We term the ability to accurately interpret societal cues and

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anticipate ethical crises "ethical foresight" and define it -- with reliance on the literature on foresight as one of the seven essential traits of a servant leader (Sipe & Frick, 2009; Greenleaf, Frick & Spears, 1996) -- as a conscious, iterative pursuit of mapping internal organizational behaviors to external events with the goal of making better and more timely ethical decisions and avoiding future ethical crises.

The notion of ethical foresight as a tool for managing the ethical culture of an organization and avoiding ethical disasters is largely under-researched. Studies have sought to understand what happens to have caused an ethical lapse after the fact, but exploring the dimensions of forethought that might be required to ward off ethical failure remains relatively unchartered territory. We believe the importance of research in this area rests on two key assumptions: (1) to the extent ethical foresight can be delineated, its application is determined to yield positive effects, ultimately, for both business and society through avoidance of ethical crises; and, (2) honing ethical foresight would, perforce, require a more sustained, honest, and evenhanded discourse between business and the society that accommodates its operations, allowing neither to dominate the conversation, and both to seek mutual understanding for the achievement of goals.

Ethical foresight as defined in this paper is a concept that is particularly relevant for the business and society field given its focus on bringing society squarely into the equation of business calculations. The role of ethical foresight is to stave off ethical crises of societal import and to encourage a business-society interface that is ongoing, rather than one enacted only when a major ethical disaster emerges. This redefines the business-society relationship and puts the onus on the organization to continually interpret societal cues through dialogue and interaction and to reflect on internal organizational processes and decisions that may have contributed to ethical digressions in the past. It is both a remedial and future-oriented tool, and is both reflective and projective. The result of incorporating ethical foresight into the firm's standard operating procedures would be to substantially improve the relationship business has with society and to create an ethical mindset that is sustainable.

Research Objectives

This research aims to provide a critical review of those techniques currently employed to forecast ethical developments and to offer an alternative approach of building cognitive moral awareness in organizations (Rest, 1986) in the form of ethical foresight. We suggest that effective ethical foresight incorporates an interpretive, iterative process of engaging interaction between the organization and its environment so that moral issues can be identified in advance of an ethical crisis (Reynolds, 2008). The research further seeks to uncover the impediments to ethical foresight that include behavioral biases, assumptions and motivations. Ultimately, we are interested in formulating an ethical foresight course of action for organizations seeking to improve their recognition of and response to relevant ethical issues, with a more comprehensive understanding of the implications of their actions. We expect this work to serve as a precursor to case studies in this area where we may assess how application of the theoretically formulated approaches we recommend can best function.

This paper is focused on two areas relevant to a discussion of ethical foresight in particular. First, in visiting the relevant literature, we critically review the techniques used to forecast ethical trends; and, second, we explore and evaluate the potential behavioral biases and issues, both theoretical and

applied, that could impact an organization's ability to produce realistic foresight of ethical trends. A final area for the paper is to look at new tools for developing a keen foresight into the ethical landscape of business emerging from this investigation, with an emphasis on business-society interaction and communication that is sustained, honest and focused on mutual attainment of goals. We develop a model with illustrative examples to differentiate the level of ethical foresight evident in firms.

UNDERLYING THEORY AND LITERATURE REVIEW

Before delving into the theoretical underpinnings of our work and model, we need to conceptualize ethical foresight as a tool in the organization's arsenal aimed at improved ethical behavior.

Foresight is defined as the creation of shared long-term visions to assist in short-term decision making (Calof, Miller and Jackson, 2012) that addresses future states. It is most often associated with technological forecasting and strategic planning to inform both government policy at a national level and organizational strategic initiatives. As the practice of foresight has evolved it has expanded to incorporate a greater focus on stakeholder participation, networking and common vision building (Konnola et al., 2013) in viewing a common future.

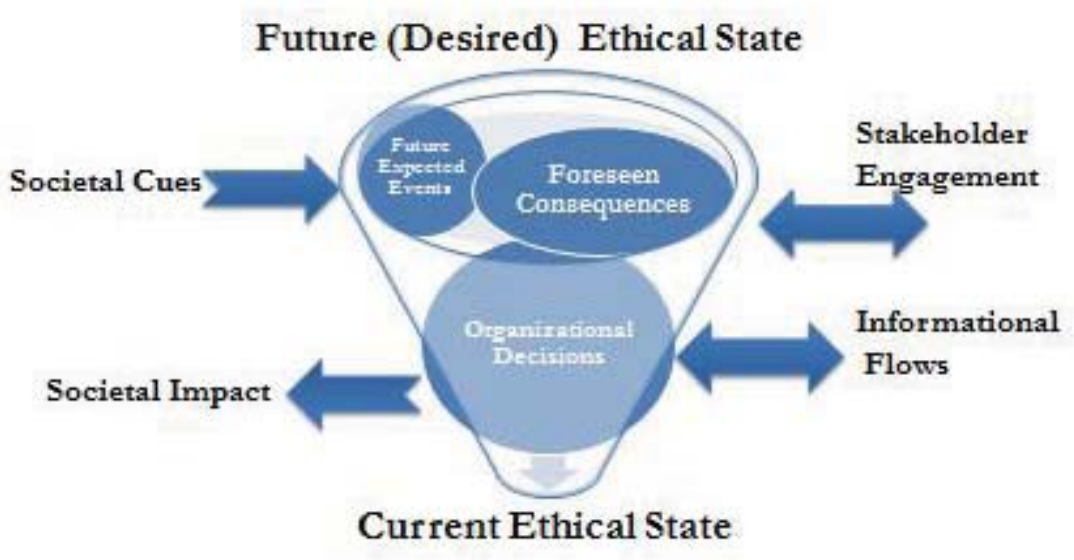
While this future orientation of foresight is understood to result in better strategy execution, we argue that it also may result in more ethical decision-making, and apply the concept of foresight to business ethics. *Ethical* foresight, then is understood as the process of developing a *participatory*, *predictive* model of the future ethical state of an organization in order to align value systems and improve ethical behavior in the present. As stated earlier, we look at ethical foresight in business as a conscious, iterative pursuit of mapping internal organizational behaviors to external events with the goal of making better and more timely ethical decisions and avoiding future ethical crises. Its process characteristics include timeliness, mindfulness, dynamism, and an approach that is commensurate with the expected level of risk. It is both process and outcome, both present and future, and has simultaneously an internal and external orientation. Ethical foresight generally calls for active stakeholder inclusion and participation in early stages of strategic planning and decision-making. An illustration of this ethical foresight process appears in Figure 1.

Theoretical Grounding

The foundation of our work and arguments is built on theoretical ground that includes social psychology (Epley & Dunning, 2000; Wilson & Gilbert, 2003); cognitive sociology (Weick & Roberts, 1993); sensemaking (Theil et al., 2012; Weick, 1979, 1988, 1993); and, ethical theory, particularly with reference to behavioral ethics (Trevino, Weaver and Reynolds, 2006). The relevant literature has addressed business ethics topics such as how the strength of corporate reputation might predict survival or demise of a company in an ethical crisis (Watson, 2007); the degree to which moral development (based on the cognitive moral development work of Kohlberg, 1969) and/or ethical beliefs and intents imply differential action on the part of ethical actors in a firm (Trevino, 1992; Weber and Gillespie, 1998); and various studies of ethical decision-making (Ferrell and Gresham, 1985; Jones, 1991; Trevino, 1986).

Most of this research has focused on outcomes – how the firm or the individual in a firm acts when faced with an ethical dilemma, or how we might predict the course of action that will emerge by identifying relevant antecedents to the behavior. There is also a strong body of literature that treats environmental scanning as an element of corporate social responsibility. This stream of research borrows scanning tools from the business strategy field where it is used to help in honing corporate financial performance, and applies them to improving an organization's process of social response or ultimate social performance (Wood, 1991), particularly with respect to managing stakeholder relations (Clarkson, 1995; Mitchell, Agle and Wood, 1997). We too consider scanning a valuable tool, not so much to manipulate the environment so that it better meets organizational needs and goals or to measure social performance, but rather to whittle a communication gateway between business and society that facilitates a clearer vision of what lies ahead. Interestingly, predictive capabilities, or foresight as we term it, require adaptive and accommodating skills often relegated in earlier work on Corporate Social Performance (CSP) as reactive, or less "proactive" than might be desirable. Foresight further requires communicating in a shared language, such that business can fairly interpret the cues that relevant sectors of its environment are providing.

Figure 1. Ethical Foresight Organizational Process



There are a range of techniques used to assess and predict both ethical behavior within organizations and societal cues. For example, Scott (2006) suggests that signal detection theory can be effective at analyzing dishonesty and other moral judgments in organizations. Ahlqvist et al. (2010) propose the use of socio-technical road-mapping to visualize narratives of social issues. Logsdon and Palmer (1988) suggest that social issues can be identified and responded to, but in order to have a positive impact on an organization's social performance, ethical norms and principles have to be integrated into decision-making. However, others have shown that this is difficult to achieve at an organizational level because individual managers' value systems impose delimiting frames of interpretation (Sharfman, Pinkston & Sigerstad, 2000).

Evidence is abundant of data-driven techniques in use for predicting or forecasting a future within the firm. Organizations seek to lessen uncertainty so that planning may be more than a mere exercise, and therefore incorporate scenario analysis, future-oriented technology assessments, and other sophisticated forecasting methods to help them develop a clearer picture of their prospects and emerging opportunities. Forecasting is often undertaken with as much hindsight as foresight, rolling over assumptions from previous plans and extrapolating from the past to envision a future. When dealing with ethical dilemmas, this approach carries some evident and significant drawbacks, since business ethics issues are dynamic in both the issue content and the appropriate response. Applying what went before to what is coming down the road is imprudent and usually ineffective.

PARAMETERS OF ETHICAL FORESIGHT – DEVELOPING A MODEL

If individuals within an organization have different ethical models (or different value systems), and the development of a future-oriented ethical model through an organizational ethics program results in greater alignment of different individual ethical models, then the result is greater organizational control of the present. Hence, we argue that ethical foresight is the process of developing a participatory predictive model of the ethics of an organization in order to align value systems and improve ethical behavior in the present. In order to determine the current efficacy of an organization's ethical foresight, one can diagnose alignment through an examination of existing behaviors.

First, for purposes of modeling the ethical foresight construct, and in addition to theories of behavioral ethics that will permeate our exploration, we look at three specific theoretical drivers of our model.

The first is that of Anticipatory Systems, borrowing from the work of Rosen, a famed theoretical biologist. Biology has been evoked in the past to describe organizations, e.g., organizational evolution theory, adaptive systems theory, and the concept of (negative) entropy, to name a few conceptual applications; therefore, its use here, when describing foresight – a biological phenomenon – seems appropriate. Whereas reactive systems react to causal change in the past, the act of prediction in anticipatory systems has an influence on the present situation (Louie, 2010). In fact, the theory of anticipatory systems has been pointed to as the "conceptual basis" for foresight studies (Louie, 2010). Further, it is precisely the participatory and feed forward nature of foresight that makes it particularly applicable to ethics in an organizational context.

Rosen's anticipatory systems, rather than separating the decision, the properties of the model and the decision context, rather looks at the system holistically and examines "…the behavioral correlates arising throughout a system simply from the fact that present behavior is generated in terms of a predicted future situation" (Louie, 2010: 21). As Rosen himself explains, "An anticipatory system is a system containing a predictive model of itself and/or its environment, which allows it to change state at an instant in accord with the model's predictions pertaining to a later instant" (Rosen, 1985: 341). Adjusting current behavior to respond to an anticipated future problem (Poli, 2010) is a means for organizational entities to predict the future and adapt in advance of an ethical issue's emergence.

The second driver of our model is Network or Feedback Causality. Simply stated, network or feedback causality emphasizes the importance of a non-static process of developing foresight, and one where both the present and the future inform each other. Network causality or feedback causality considers that the flow of cause and effect moves in both directions (Wuketits, 1990). These concepts do not stray far from the elements that characterize anticipatory systems, once again invoking biological processes. Louie reinforces this when he tells us that, "Biology is replete with situations in which organisms can generate and maintain internal predictive models of themselves and their environments, and use the predictions of these models about the future for purpose of control in the present" (Louie, 2010: 20).

The third model driver takes into account the importance of stakeholder inclusion and relies heavily on Stakeholder Theory as well as forecasting techniques that require stakeholder input. Many organizational dilemmas -- and we would argue especially ethical dilemmas -- occur in a global context, are highly complex and may present unique (first-time) ethical situations. Including more stakeholders (with different cultural and situational perspectives) and engaging them more fully permit greater foresight.

There are several forecasting tools and concepts related to stakeholder theory that are pertinent to our modeling of foresight. We refer to two: roadmapping (incorporating iterative consensus-building), and the 'collective mind'. Visual socio-technical roadmapping is often used to assist organizations with strategic planning or technology planning for research and development. This kind of roadmapping attempts to identify the most critical elements or key causal drivers of technology or strategy as well as envisioning future developments and the path and bottlenecks between the present and the future. Consequently, socio-technical roadmapping is not a simple extrapolation of past facts, but rather contains a predictive model of the existing technologies that anticipates the future state of these technologies. "Accordingly, the potential of road-mapping is two-sided: it enables the identification of drivers, bottle-necks and possible applications in a certain timeframe and the road-mapping process can also function as consensus and agenda-setting procedure with a systematic process flow and the *right participants*" [emphasis added] (Da Costa et al., 2005:147-148 in Ahlqvist et al., 2010).

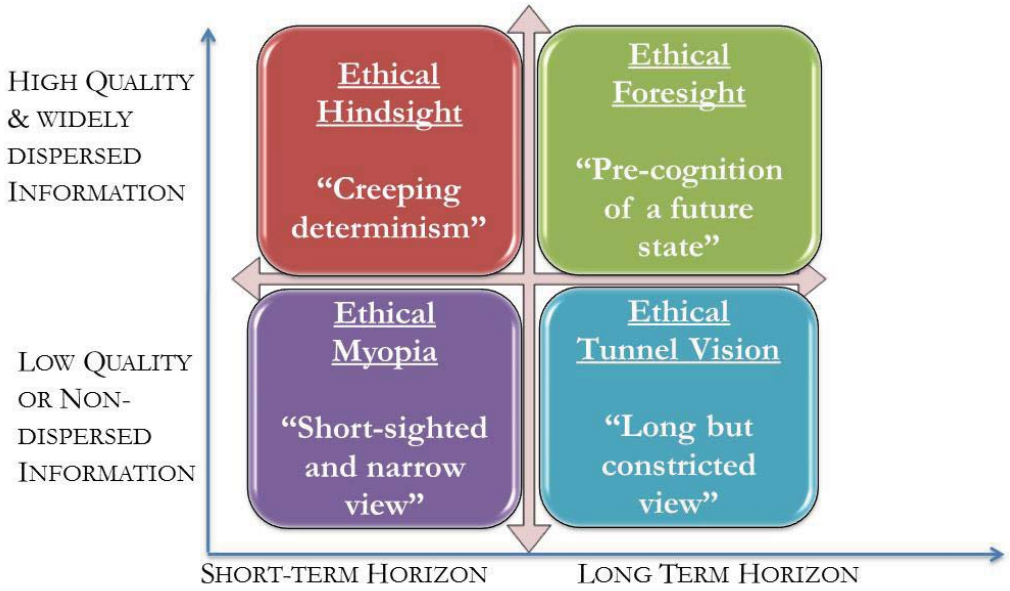
The "collective mind" (Weick & Roberts, 1993) explores the "heedful interrelations" of actors and actions in a system, recognizing how these interrelations affect the system and noting that the degree to which they are heeded affects the "unfolding of future events and incidence of errors". This relates to stakeholder management and inclusion as well. One could argue that adopting a collective mind (not to be confused with "group think", which could in fact lead to tunnel vision) is a means of including the "right participants" and also of assuring that information is comprehensive and reliable -- reliability over efficiency, argue Weick and Roberts (1993). It helps avoid the fragmentation or silo-ing of activities and information that some attribute the banking crisis to. It further helps avoid the individual biases that creep into decision-making and prohibit foresight.

Modeling Ethical Foresight

Given the ethical foresight elements described, we frame our model along two dimensions: (1) the quality and diffusion of information along the y-axis, and, (2) the length of the horizon (long-term vs. short-term) along the x-axis. The former captures concepts critical to the accuracy and

timeliness of forecasting or predicting the future, as well as stakeholder inclusion; and, the latter captures the degree to which the present is continually mapped to a future state. The intersection of these axes carves out four quadrants describing four different ways of envisioning an ethical dilemma: Ethical Hindsight, Ethical Foresight, Ethical Myopia and Ethical Tunnel Vision. The model appears in Figure 2 below and we go on to describe the quadrants, providing illustrative examples of firms that would occupy each of the four spaces.

Figure 2. A Model of Organizational Ethics Programs



Ethical Hindsight characterizes situations where decision-makers adopt a shorter-term horizon for purposes of planning and prognosticating; and yet, where the information available for making decisions has complexity commensurate with the nature of the decision, is relatively accurate, and is widely distributed. Hindsight can also be described as a condition of "creeping determinism" (Fischhoff, 1975, reprinted 2003), or the syndrome of "I knew it all along", since the information had been on the radar in advance of an incident or ethical dilemma. In cases of ethical hindsight, decision makers' ability to learn from the past is hindered, as is the ability to predict a future state. An interesting example of ethical hindsight can be found in looking at the case of the 1989 Exxon Valdez disaster, spilling 11 million gallons of oil into Alaska's Prince William Sound. While in retrospect, the lines of causality appear to converge on the event ("I knew it all along" or "what happened was actually predictable), no such obvious convergence existed at the time, despite evidence of systemic risk related to the manning of the oil tanker. The notion in ethical hindsight is that one can connect the dots presented by the data later on, in a way that is "unnatural" when in the moment.

Ethical myopia resides in the quadrant defined by low quality or non-dispersed information, and a focus on short-term gain. Myopia or near-sightedness describes a condition of the eye that makes it difficult to see things that are far away. Myopia has been used in the business context by Levitt (1960), who popularized the term marketing myopia, as a short-sighted and inward looking approach

to marketing that focuses on the needs of the company instead of defining the company and its products in terms of the customers' needs and wants. It results in the failure to see and adjust to the rapid changes in customer markets. Similarly, in ethical myopia, an organization lacks foresight about an ethical issue both because of a tendency to look at ethics in the short term, but more importantly because the organization either lacks information or has low quality information to make appropriate and timely decisions. Ethical Myopia was in evidence in the Enron scandal. In this case, the information was available but was not dispersed to key constituents, and was so complex as to be deemed inaccessible. This in combination with a very short-term earnings focus led to a situation where only five days before the company's collapse, only two out of fifteen top industry analysts recommended selling their shares. Chabrak and Daidj (2007) actually used the term "myopia" to describe the Enron crisis. They explain that at Enron, widespread myopia was fostered that refused to allow the actors to see what was really happening – blinded as they were by greed.

In the case of Ethical Tunnel Vision, organizations are so focused on the goal that they do not realize that they are crossing ethical lines to get there, either because the information is unavailable, not widely dispersed, or inaccurate. Although the goal may be long-term, the periphery of the problem is missed. This information transmission failure may be due to silo-ed operations that make it more difficult to assess risk or consequences of decisions (for example, banking failures), harking back to the important of stakeholder inclusion and iterative discourse. Therefore, it may be the outgrowth of group think (Janis, 1972), or it may result from a culture so focused on achievement that individuals fear discussing potential barriers to that success. Muldoon (2006) suggests that ethical tunnel vision can arise from a focus on an ethical review process that fails to address underlying ethical problems. Bowie and Schneider (2011) further propose that ethical tunnel vision results from a failure to recognize differing viewpoints or ignoring relevant information about the issue. In the case of the banking crisis, keeping their sights on future financial goals to the exclusion of information that might have informed better decisions, the banking industry engaged in what one financial analyst actually termed "tunnel vision". As with the use of binoculars, the future state may be viewable and magnified, but peripheral cues are entirely missed.

With Ethical foresight, organizations develop a participatory, predictive model of the future ethical state of an organization in order to align value systems and improve ethical behavior in the present. Doing so relies on their taking a both a long-term view and ensuring high quality and widely dispersed data. The long-term view must not simply be passive, but rather actively predictive to allow participants in the process to develop "pre-cognition" of the desired future ethical state of the organization. Similarly, high quality information will be optimized with the inclusion of a wide range of internal and external stakeholders that actively participate in the development of the predictive model. With ethical foresight (harking back to work on anticipatory systems),

> *"…knowledge becomes fully robust only through social interaction and socially confronted learning processes. Robust therefore does not mean "true" nor "definitively ascertained", but recognised, shaped, used and perceived as relevant by a variety of social constituencies (vs. one particular kind of expert or interest group)." (Rossel, 2010: 74)*

This highlights the importance of stakeholder engagement that creates an iterative discourse to shape the future ethical model. Hence in organizations demonstrating ethical foresight, the organizational ethics program becomes heavily focused on a process of participatory engagement

and discourse with internal and external stakeholders. A good example of this approach is found with Fluor, a global engineering and construction company, and a model of ethical foresight. Fluor operates in a high-risk industry where systems of predictive accuracy are essential to avoid costly – both socially and financially – ethical crises. Fluor is touted by its clients as an ethical leader, seeking not simply to adhere to compliance standards, but to proactively manage ethical issues through constant scanning techniques that identify risk and benchmarking best practices. In fact, the company was named for the eighth consecutive year, a "2014 World's Most Ethical Company" by Ethisphere Institute – an independent research center promoting corporate ethics best practices.

Limitations to Ethical Foresight

As the model suggests, the accuracy of the vision that ethical foresight bestows on organizations is limited by the integrity of the information underlying this approach, and the extent to which that information's complexity is commensurate with the nature of the issues being addressed or anticipated; and, the length and breadth of the horizon that is adopted for viewing the future. Further limitations can accrue to constrain ethical foresight's efficacy (moderators of the model, in effect) that arise from: 1. Individual biases and self-serving assessments; 2. Cultural Biases or Insensitivities; 3. Neglect of a critical stakeholder group in inviting participation; and, 4. Improper or inadequate governance structures.

CONCLUSION AND AVENUES OF FUTURE RESEARCH

Ethical foresight stands as an important means for managing the ethical culture of an organization, and it is a largely under-researched area. We believe that the application of foresight to ethical management practices holds promise for avoiding ethical crises and encourages a more sustained, robust and honest discourse between business and society. Collecting high quality data can inform business as to patterns of anticipated outcomes and taking a longer-term view of the consequences of decisions allows for the effective achievement of goals that benefit all stakeholders.

This foray into exploring the ethical foresight construct, and the model that we have defined to explain it, leads to several potential avenues for future research. One area of research is that of further identifying impediments to ethical foresight, which would elaborate the model perhaps beyond its two dimensions. Another related area lies in testing the model, through a case study or other qualitative research approaches. Researchers may be interested, as well, in assessing the systems, techniques and processes for implementing ethical foresight in the organization. Finally, it is useful to systematically and rigorously evaluate and compare results of applying ethical foresight in business.

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Corporate Social Responsibility, Responsiveness, & Performance

CONFERENCE THEME: "Reclaiming the Societal Dimension"

CSR FOR HR: EMBEDDING CSR IN WORKPLACE PRACTICES

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Abstract: Based on data from interviews with CSR and HR professionals, this paper discusses possibilities for embedding corporate social responsibility (CSR) into human resource management (HRM). It examines how employee-related aspects can be addressed under the remit of CSR and how such interfaces work. Further, it argues that although HRM is responsible for employee issues such as diversity, equality, work-life balance, CSR has some implications for HRM. Thus, CSR helps to embed the social and ethical concerns of employees within HRM policies and practices and promotes socially responsible HRM. However, such a relationship is subject to CSR-related variables, such as the scope of CSR and variation among industries. If these factors are not favourable, disconnections may exist between CSR and HRM.

Keywords: corporate social responsibility; internal CSR; human resource management

INTRODUCTION

The implementation of corporate social responsibility (CSR) within an organisation is basically focused on employee-related or human resource management (HRM) aspects. Recent academic interest in the links between CSR and HRM has grown (Gond, Igalens, Swaen, & Akremi, 2011; Voegtlin & Greenwood, 2013), and research on CSR has discussed employee issues such as diversity, equality, and work-life balance (Cohen, 2010). However, very limited empirical research has examined the application of CSR to HRM with regard to workplace issues (Buciuniene & Kazlauskaite, 2012; Vuontisjarvi, 2006). Hence, the link between CSR and HRM is not well developed. Against this background, the objective of this paper is to examine the implications of CSR for HRM. Particularly, this paper investigates two issues: 1) How HR issues are addressed within the ambit of CSR, and 2) What the role of HR can be for embedding CSR in the workplace.

CSR FOR HRM

The conceptual development of CSR is more than six decades old (Carroll, 2008), yet the notion has remained contested. For the purpose of this paper we use Hopkins's (2003) CSR definition, which focuses on the stakeholder perspective: "CSR is concerned with treating the stakeholders of the firm ethically and in a socially responsible manner…[which] exist both within a firm and outside" (p. 3). As CSR deals with both external and internal stakeholders, we briefly describe 'external' and 'internal' CSR. On the one hand, external CSR includes strategies for external stakeholders such as community, the environment, customers and suppliers (Brammer, Millington, & Rayton, 2006). On

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the other hand, the internal agenda of CSR is basically concerned with employee/HR related practices such as "lifelong learning, empowerment of employees, better information throughout the company, better balance between work, family, and leisure, greater work force diversity, equal pay and career prospects for women, profit sharing and share ownership schemes, and concern for employability as well as job security" (European Commission, 2001, p. 8). Thus, internal CSR focuses on fair and responsible treatment of employees, which comes under the direct purview of HRM. Both CSR and HRM literature attempt to acknowledge the connection between CSR and HRM, which can be explained from two perspectives.

In the first perspective, the CSR literature discusses the links between CSR and HRM using a stakeholder approach (Cohen, 2010; Vuontisjarvi, 2006). As employees are common stakeholders of both CSR and HRM, there is an implicit relationship between CSR and HRM. In particular, the normative stakeholder approach guides both CSR and HR managers to consider the moral and ethical concerns of employees. This demonstrates that there is a connection between CSR and HRM (Gond et al., 2011). Other scholars propose that CSR should have some relevance to HRM functions (e.g., Cohen, 2010), in particular, in the areas of equal opportunities, fair wages and working hours, staff training and development, health and safety, flexible working schedules, the treatment of women and minorities, and the relationship with employees (Buciuniene & Kazlauskaite, 2012; Castka, Balzarova, & Bamber, 2004; Graafland & Van de Ven, 2006; Welford, 2004; Wilcox, 2006). Orlitzky and Swanson (2006) go further and suggest that organisations require embedding CSR in HRM policies and practices in order to develop socially responsible people practices.

A limited amount of research has also empirically examined this aspect (e.g., Buciuniene & Kazlauskaite, 2012; Deniz-Deniz & De Saa-Perez, 2003; Vuontisjarvi, 2006). For example, Buciuniene and Kazlauskaite (2012) conducted a quantitative study to investigate what CSR-related HR practices are implemented in Lithuaniam organisations and how these are linked with performance. The study found that one third of organisations offer health care, maternity leave and training breaks and observed a positive link with performance outcomes. Similarly, Vuontisjarvi (2006) examined how large Finnish organisations are involved in CSR–HRM aspects. The study reported that the organisations implemented health-wellbeing, training-development and employee involvment practices; however less attention was paid to equal opportunity and work–life balance issues. It can be said that the aim of these studies was to explore employee practices that are implemented as a CSR-related aspect of HR. Nevertheless, there is relatively little understanding of how HR aspects can be addressed within the scope of CSR. In other words, how organisations implement internal CSR and integrate it with HRM practices is not clear. Furthermore, these studies are often narrow, with limited implications for understanding the contextual application of CSR to HRM.

In the second perspective on the CSR-HRM connection, the HRM literature addresses the interface with ethics (Deckop, 2006; Greenwood & De Cieri, 2005) and CSR (Shen, 2011; Voegtlin & Greenwood, 2013), even though HRM has been criticised strongly for relatively less concern about the ethical issues of employees (Guest, 1999; Legge, 1995; Pinnington, Macklin, & Campbell, 2007). For instance, it has been argued that in striving to become a strategic partner with top management and its emphasis on enforcing productivity and profitability, HRM has lost its roots in employee welfare (Guest & Woodrow, 2012). It has been argued that HRM encounters many social and ethical

concerns while exercising people practices, such as non-discrimination, equal opportunities, human rights and employee wellbeing (Wilcox, 2006). There is growing attention to embedding such ethical concerns in HRM policies and functions. This has given rise to employee-centred concepts such as ethical HRM (Greenwood, 2002; Winstanley & Woodall, 2000) and socially responsible HRM (Becker, 2011; Bierema & D'Abundo, 2004; Ezzedeen, Hyde, & Laurin, 2006; Shen, 2011). Yet, there is a lack of any standard framework to incorporate ethical concerns in HRM systems (Winstanley & Woodall, 2000). Furthermore, without formal structures and frameworks these concepts often fail to attach employees' ethical considerations to the strategic orientation of the organisation (Schoemaker, Nijhof, & Jonker, 2006). Therefore, Guest and Woodrow (2012) urge a strong system to incorporate ethical concerns for employees in HRM. It is proposed that the integration of CSR in HRM may help to value the ethical-social concerns of employees in organisations (Shen, 2011). The alignment of CSR principles seeks to incorporate the ethical and social issues of employees in HRM (Boyd & Gessner, 2013), and helps evolve socially responsible HR practices (Mason & Simmons, 2011). Despite such a promising view on the implications of CSR for HRM (Cohen, 2010), the HR literature has seldom attempted to apply ethical theories and CSR directly to HRM practices (Greenwood, 2002). How CSR can be aligned with HRM is relatively unknown due to the lack of conceptual clarity and adequate empirical support. Furthermore, how the interface and overlap between CSR and HRM works and what the roles of CSR and HRM are in the development and implementation of socially responsible HRM is not clear. Hence, in this study, we attempt to qualitatively examine the links between CSR and HRM. In doing so, we also propose that such relationship is contextual in nature.

METHODS

This paper reports and discusses an empirical study that examines the implications of CSR for HRM in large New Zealand companies. This study is based on an interpretive paradigm as it drives the research questions and context of research. The study adopted an abductive and qualitative research approach and used interview methods. Semi-structured interviews were conducted with managers of 16 large New Zealand organisations known for their strong commitment to CSR. The industry grouping of these companies is shown in Table 1. In the first phase 15 face-to-face, semi-structured interviews were conducted with CSR managers. Fourteen HR managers were interviewed in the second phase of data collection. Thematic data analysis was employed using the Nvivo 9 programme.

FINDINGS

The study found two extreme perspectives with regard to the application of CSR to HRM: strong connections between CSR and HRM and disconnections between CSR and HRM. First, the findings revealed that CSR can be embedded in HRM by addressing employee-related aspects under the scope of internal CSR. The study reported that mainly four HR aspects were often linked with CSR, namely health-safety and wellbeing, diversity-gender equality, training and development, and work-life balance. In particular, CSR helped to identify, analyse and address employee-related material issues that are critical for achieving the organisation's goals and managing its impact on society. The organisations in the present study encountered various material issues related to employee stakeholder groups, namely an aging population, pay inequality, and the underrepresentation of women in leadership. Thus, employees being key internal stakeholders, such

material issues required attention to CSR. CSR facilitated HRM's development of long-term, sustainable solutions by adopting international CSR standards. We found that CSR-committed organisations examined such internal issues and accordingly shaped their CSR strategy in collaboration with HRM.

Table 1. Industry Grouping of Participant Companies

Industry	No. of Organisations	No. of Managers Interviewed
Telecommunications	2	4
Natural resources	2	4
Petroleum	1	2
Air line	1	2
Public service	2	4
Construction	2	3
Banks/financial services	3	6
Retail	1	2
Manufacturing	1	1
IT	1	1
Total	16	29

With regard to how such issues are addressed from a CSR perspective, participants revealed that although HRM oversees employee-related aspects, CSR can help to develop socially responsible practices. In particular, CSR broadened the scope and application of such employee aspects by incorporating wellbeing and ethical-social concerns, as shown in Table 2. For example, CSR facilitated HRM's expansion of the focus of health and safety towards overall wellbeing. Similarly, CSR embedded the social concerns of employees in training and development which helped to ensure the employability of marginalised employees. CSR inspired HRM to make some commitment beyond legislative requirements in order to address the social and ethical issues of employees.

Furthermore, it was found that CSR can also inspire HRM through the disclosure of equality and diversity data in CSR reports. Many organisations (9 out of 16) sampled in this study adopted CSR reporting and integrated CSR benchmarking as recommended by international organisations such as Global Reporting Initiative (GRI). The GRI reporting framework advocates 84 indicators, out of which 26 fall within the domain of HRM (GRI, 2013). Participants mentioned that CSR indicators or standards were used as guidelines to develop systematic frameworks for equality, diversity, health and wellbeing. CSR indicators were also used to measure performance around such employee initiatives, and they were externally disclosed in CSR reports. Interestingly, the evidence from interviews highlighted that these HR-related CSR indicators gave an additional context to HRM by systematically implementing, evaluating and reporting such initiatives, and they helped increase the strategic importance of these initiatives. It can be said that this facilitates organisations' systematic evaluation of HR issues through CSR metrics and thereby promotes socially responsible and employee friendly HR practices.

Contrary to the insight suggested above, some managers were reluctant to link CSR with such practices and argued that the above-mentioned employee aspects are 'pure HR' functions based on mandatory requirements. Some participants suggested that, except reporting of some HR data under

CSR, there was not much CSR-HRM link. It was found that CSR was still understood in its traditional and narrow approach of corporate giving, and some organisations prioritised external philanthropic activity and environmental projects. In other words, they did not cover employee-related internal issues under the scope of CSR. Hence, CSR and HRM remain separated in these organisations, which may result in lack of strategic and long-term orientation of some sensitive HR issues such as gender inequality. An important question that arises here is why CSR and HRM are integrated in some organisations, whereas in other organisations disconnections exist between the two. The findings suggest that this is due to contextual factors affecting the CSR-HRM interface.

Table 2. Embedding CSR in Workplace Practices

HR Aspect	Embedding CSR in HRM	Description
Health–wellbeing	More focus on wellbeing	CSR widens the scope of operational health and safety to overall wellbeing of employees.
	Employ CSR standards	CSR standards, such as GRI indicators, are incorporated in health and wellbeing operations.
Gender equality and diversity	Focus on material issues	Material issues, such as pay inequality, underrepresentation of women in top management, aging population and increasing culturally diverse workforce necessitates long-term sustainable solutions employing the CSR perspective.
	Broader diversity application	Application of CSR standards to HRM extends the approach of equal employment and compliance of legitimate rights to a wider implementation of equality and diversity.
	Measurement and reporting	The application of CSR indicators helps to measure equality and diversity-related HR performance. The external reporting of such performance gives context to HR.
Work–life Balance	Measurement and reporting	Work–life balance practice, particularly flexibility initiatives are measured through CSR indicators and disclosed in CSR reports.
Training–Development	Focus on social issues of employees	Helps to develop more socially responsible initiatives by considering social–ethical issues of employees.
	Measurement and reporting	Training–development practice is measured through CSR indicators and disclosed in CSR reports.

The scope and priority of CSR strategy was found to be a significant factor. For example, the organisations having extensive and well-balanced (externally and internally focused) CSR strategies

also had a separate CSR framework for HRM. In this circumstance, CSR was more likely to be applicable to employee issues and work in collaboration with HRM. In contrast, the organisations with external applications of CSR, such as community involvement or environmental projects, did not prioritize HR issues in the CSR agenda. Importantly, empirical evidence also pointed out that the scope and application of CSR was dependent on two aspects; the stage of CSR development and the nature of industry.

The organisational stage of CSR development was an influential variable determining the scope and application of CSR. For example, the organisations in the early stages of CSR development were found to be focusing a great deal of time and attention on external stakeholders. This basically reflects the primary response of the organisation to the increasing pressures of external stakeholders. In this context, a positive relationship with the local community and meeting environmental compliance were seen as paramount in CSR strategy rather than addressing the ethical issues of employees. On the other hand, the organisations having well-established CSR strategies were keen to integrate CSR and HRM.

Another factor affecting the scope of CSR was the nature of the industry, as firms operating within different industries adopt CSR differently. It was found that service organisations, relatively closer to the customer, are likely to exhibit more concern about the employee dimensions of CSR. This category included organisations, such as banks, and those in the retail, telecommunications and postal sectors; they had comprehensive CSR strategies which were well integrated with HRM issues. Thus, it can be argued that these companies recognise the logic of employees' ethical concerns and its effect on brand image. As a result, these organisations were extensively involved in internal CSR practices, allowing them to collaborate with HRM to attain socially responsible employee practices. In contrast, the empirical results found that the priorities of manufacturing organisations – those using natural resources or creating risk for the natural environment, namely construction, forestry, electronics – continued to comprise the environmental aspects of CSR rather than HRM. It can be said, therefore, that environmentally sensitive organisations are more likely to implement environmental initiatives. Thus, the scope of CSR and its impact on HRM is directly associated with the stage of CSR development and industry variation.

DISCUSSION AND CONCLUSION

In reviewing the application of CSR to HRM in the literature (e.g., Buciuniene & Kazlauskaite, 2012; Cohen, 2010), the key themes identified in this paper revealed that CSR-HRM relationship cannot be discussed with 'one size fits all' approach (Garavan & McGuire, 2010). Findings suggest that various contextual factors directly influence such a relationship. In particular, CSR-related factors were found to be more dominant in shaping the implications of CSR for HRM.

Organisations where the above-discussed factors are favourable, CSR necessarily "begins inside the company" (de los Salmones, Crespo, & del Bosque, 2005, p. 380) and is more likely to have strategic links with HRM. For example, when a broader CSR strategy encompassing both internal and external stakeholders is implemented, it may have a separate framework to address responsibilities for employees. Furthermore, CSR standards can be embedded in employee-related functions, resulting in socially responsible HRM (Shen, 2011). In other words, the findings support the idea that the integration of CSR in HR helps to generate '*CSR-HR best practice'* (Gond et al., 2011, p. 121).

Based on the empirical results it can be said that this relationship involves three pre-conditions: first, CSR should have a broader scope, focusing on internal HR-related issues; second, the organisation should be in the developed stage of CSR strategy, where CSR is clearly embedded within organisational functions; and third, the nature of the industry should support the broader application of CSR strategy to HRM. Thus, we propose that under these circumstances, key HR aspects, namely health-wellbeing, gender equality-diversity, work-life balance and training-development, can be addressed from the CSR perspective, which results in socially responsible HRM.

Various discrepancies between CSR and HRM can be found in organisations where the above factors are not favourable. It can be argued that organisations which prioritise external CSR strategy are less likely to have links between CSR and HRM (Fenwick & Bierema, 2008). In particular, employee aspects are addressed as routine HR responsibilities without any consultation or connection with CSR. Indeed, the managers of these organisations may consider the application of CSR to HRM confusing and unnecessary (Gond et al., 2011). This can be the result of an unbalanced CSR strategy as many companies in the sample did not actively integrate CSR into HRM but instead focused on external CSR initiatives. Whether these strategies are more or less effective in achieving business goals is outside the scope of this research, but it is possible that such an CSR strategy may not be effective in the long term, as the success of CSR depends on how well it is embedded within the organisation (Garavan & McGuire, 2010).

Another important issue was that several well-known organisations in the study had some ethical issues relating to employees, such as the underrepresentation of women in leadership and pay inequality. These employee issues were managed as 'pure HR' and were not linked with CSR strategy. The empirical results support the notion that HR, being more strategic on organisational performance (Guest, 2002), is more focused on the compliance of legitimate requirements while addressing people management aspects (Cohen, 2010). For example, training and development programmes are aimed at increasing individual and organisational performance rather than solving the issues of marginalised employees (Wilcox, 2006). Thus, it can be argued the ethical concerns of employees may not be addressed well if they are not covered in CSR strategy.

The findings suggest that internal CSR is considered as a key organisational strategy subject to contextual influence and that CSR can contribute to long-term sustainable HR solutions. Embedding CSR in HR requires strategic partnership and integration between CSR and HRM. This study contributes to knowledge and practice by advancing the argument that integrating CSR and HRM will promote responsible people practices; and to the CSR literature by investigating aspects of internal CSR which have remained under-researched. It suggests that CSR is relevant in the domain of HRM and that CSR values and standards can be embedded in people practices in order to develop socially responsible HRM. However, such a linkage is strongly dependent on various CSR-related contextual factors, such as the scope of the CSR strategy, the stage of CSR development and industry variations in the application of CSR. So we believe that the findings of the study will significantly improve understanding of the contextual application of CSR to HRM.

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Corporate Social Responsibility, Responsiveness, & Performance

CONFERENCE THEME: "Reclaiming the Societal Dimension"

UNDERSTANDING MANAGERS' ENGAGEMENT WITH CORPORATE SOCIAL RESPONSIBILITY (CSR) IN THE THAI HOTEL SECTOR

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Ken Butcher
Liz Fredline

Abstract: Corporate Social Responsibility (hereafter CSR) continues to draw substantial interest from both academics and business. While most of this research attention has emphasized the benefits to be derived from CSR, there is less evidence to explain why firms adopt CSR activities. That is, what are the firm's motivations? This project extends on the current CSR and hospitality literature and on CSR antecedents related to the context of a developing country. The primary focus of this paper is to explore the nature of staff benefits as a motivating factor for undertaking CSR. A sequential mixed methods research design was used to collect data. This paper presents preliminary findings from semi-structured interviews and reveals new insights relating to staff benefits, which is expected to offer beneficial opportunities to the hotel industry. It should be noted that this paper presents material which is part of a broader project.

Keywords: corporate social responsibility; staff benefits; Thai hotel sector

INTRODUCTION

Given the significant amount of interest in CSR, the term 'CSR' has been defined differently by researchers. For instance, the scope of CSR includes the 'pyramid' of CSR (Carroll, 1991) to complementary frameworks of 'sustainability' and 'corporate citizenship' (Schwartz & Carroll, 2008). Furthermore, the term CSR used in hospitality literature is more likely to emphasize environmental responsibility (Graci & Dodds, 2008). Thus, the concept of CSR used by this project is broad and involves any activities that demonstrate the inclusion of social and environmental concerns in business operations and in voluntary interactions with stakeholders (van Marrewijk, 2003). In general, the majority of empirical studies have emphasized the consequences of undertaking CSR. That is, a large number of studies have attempted to link CSR activities with positive outcomes for the firm – with mixed results. For instance, Peloza (2006) found a positive relationship between CSR and firm performance, while Aupperle, Carroll, and Hatfield (1985) found no relationship. While the relationship between CSR activities and firm outcomes has been a dominant stream, there has been less exploration of the motivations for firms to engage in CSR, especially in hotels. The general aim of this project is to investigate *what motivates hotel managers to engage in CSR activities.*

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LITERATURE REVIEW

Two key streams of CSR antecedents are found in the literature that relate closely to firm motivation. The first stream reflects the business case, in which there are strong grounds to believe that undertaking CSR brings potential benefits to businesses (Carroll & Shabana, 2010). In contrast, the second stream of CSR antecedents, the normative case, has received less attention. Rather than being motivated by profit, the normative case argues that CSR is undertaken because it is the right thing to do (Bansal & Roth, 2000). In addition to these two approaches, recent studies have brought an alternative perspective of legitimacy and stakeholder theories to uncover the reasons underpinning any CSR decision. That is, firms engaged in related CSR activities are serving the interests of specific stakeholder groups (Vidaver-Cohen & Bronn, 2008). While this project integrates these three strands of CSR antecedents, consisting of strategic benefits, personal norms, and stakeholder expectations, as key motivating factors to understand why hotels undertake CSR, this paper presents information relating to strategic benefits only.

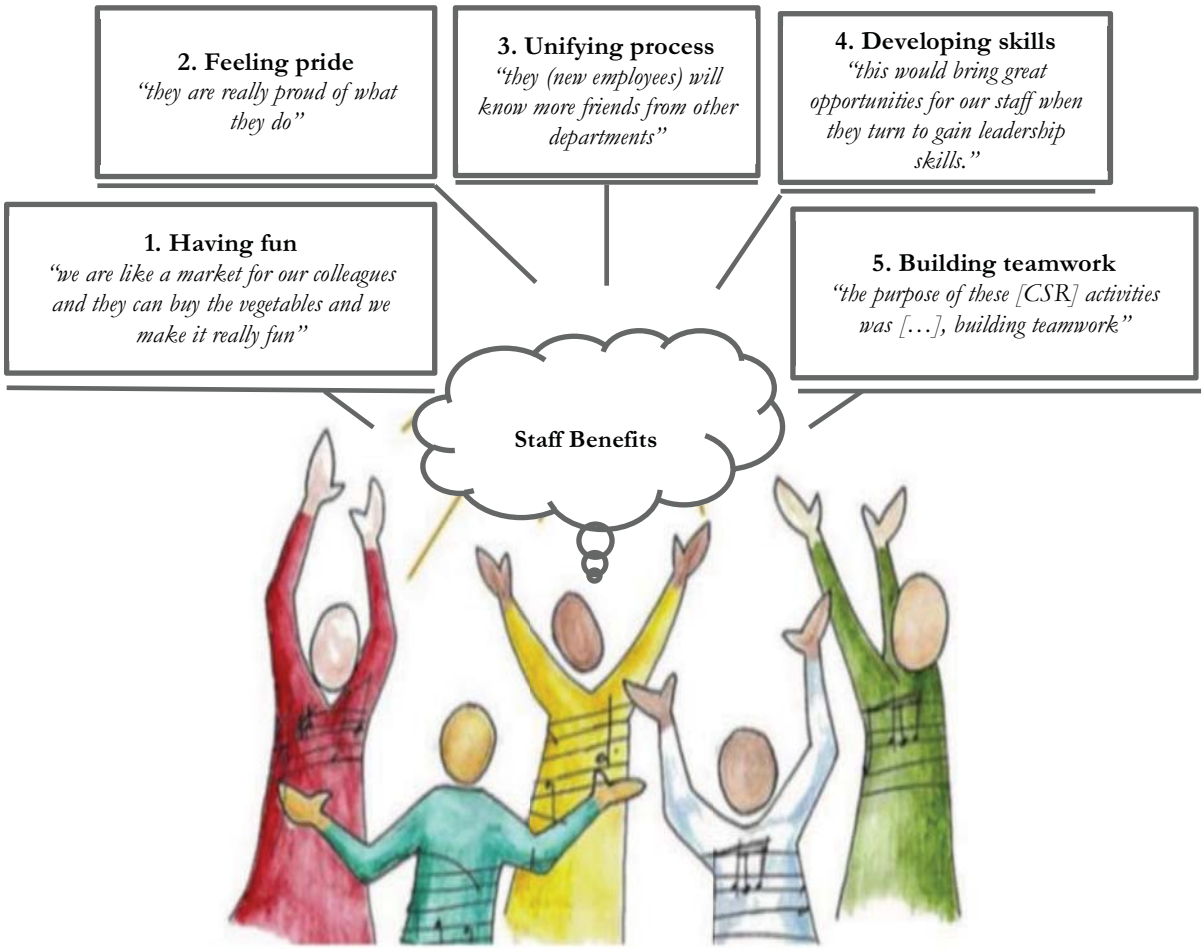
Of these three strands, strategic benefits represent the main focus of researchers. The business case approach refers to the idea that businesses pursue CSR because of financial and other benefits (Carroll & Shabana, 2010) and thus, CSR offers strategic benefits to firm performance. A large body of empirical research has indicated that firms adopt CSR activities as they are believed to provide advantages in different areas, including cost savings (Stabler & Goodall, 1997), enhanced image (Kirk, 1998), and benefits to their staff (Njite, Hancer, & Slevitch, 2011). Given the importance of these first two advantages to firms, less attention has been paid to staff benefits. Furthermore, most of these latter studies have focused on the relationship between CSR and employee attitudes. For example, employees reported that various job-related skills were developed through their participation in CSR (Petterson, 2004). However, a limited number of studies have explored benefits accruing to staff from employees participating in CSR. In the hotel industry, Graci and Dodds (2008) argue that one of the greatest benefits to hotels' adoption of environmental practices is a positive flow-on impact on employees. This generalised conceptualisation is empirically supported by Kirk (1998), who found that managers from chain hotels are likely to perceive improved employee satisfaction as a benefit derived from hotels undertaking environmental practices. While more recent studies have also found that increased employee retention and satisfaction are reasons for hotels undertaking CSR (Njite et al., 2011), there is a lack of research that seeks to understand the full nature of the possible benefits that could accrue to employees. Many of these previous findings simply indicate the general area of employees as a possible motivating factor for firms. Accordingly, the primary research objective for this part of the project is to gather insights into the nature of the staff benefits that could form motivating factors for hotel managers.

METHOD

The project employs a sequential mixed methods design consisting of two phases. The first phase is a qualitative exploratory study. This phase employs semi-structured interviews to gain insights into the dimensionality of motivating reasons for CSR. The results from the interviews will be used to assist in scale refinement for the survey questions. However, the focus of this paper is to present the findings from the interviews. A total of 23 interviews were conducted with individuals that were highly involved in the adoption of hotel CSR activities and were responsible for decision making regarding the hotel CSR practices. The interviewees ranged from human resource managers, general

managers, and owners of 3- to 5- star hotels, independently-owned and chain affiliated hotels. The interviews were fully transcribed, and translated. Thematic analysis was utilised to identify, analyse, and report different patterns of responses (Braun & Clarke, 2006). The responses were then coded under different themes, and categories, according to pre-established concepts from the literature. Terms and phases were used as identifiers for each of the motivating reasons. For example, a code of "fun" was filed under the category for having fun; "leadership skills" under the category for developing skills; and "team-building" was filed under the category for building teamwork.

Figure 1: Exemplar statements for five discrete categories of staff benefits theme



FINDINGS

Respondents spoke about a broad range of reasons underpinning their decisions to undertake CSR. These reasons corresponded to several pre-established concepts from the strategic benefits literature. In addition, respondents recognised the benefits derived from involving staff in CSR. A number of aspects were evident in relation to staff benefits. Accordingly, the pattern of responses within this theme of staff benefits was categorised into five discrete categories and exemplar statements that are shown in Figure 1.

These five different categories were identified under the staff benefits theme, namely, having fun, feeling pride, unifying process, developing skills, and building teamwork. The first category of *having fun* related to the positive affect of staff participation in CSR, and included terms such as fun, relaxing, enjoyment, pleasure, informal, and novelty. The majority of participants, including managers from marketing departments, spoke of how their CSR activities could be a good source of employee enjoyment and happiness while they were at work and allowed them to have new experiences outside the repetitive work routine. Consequently, managers sought to promote these internal activities as opportunities for employees to have fun. In addition, many managers indicated that CSR participation also provided a source of excitement for many employees. For example, *"We have like the market for our colleagues and they can buy the vegetables and we make it really fun"* (Informant 21, Marketing Executive, Chain hotel).

Second, the category of *feeling pride* related to a sense of pride that was created through the process of being involved in CSR activities. Most participants passionately spoke of their experiences of seeing their employees feeling proud about their participation in CSR. This widespread view clearly indicated that managers perceived their employees feelings as being very positive about the hotel and their CSR involvement. In one instance, a marketing manager recounted how she used a collection of pictures to imbue a sense of pride in new staff for their first week of orientation. The presentation slides were used to tell the story of the hotel's CSR activities. She showed the new employees how the hotel had been involved in CSR with the very first team in their first year of hotel operation. As a result, it appeared to be a valuable induction technique to immerse newcomers and to garner a sense of pride to be working for the hotel and to allow inductees to feel a connection to the hotel. The example is expressed as, *"I have to tell you, they are really proud of what they do"* (Informant 21, Marketing Executive, Chain hotel).

Third, the *unifying process* category related to the process of developing and intensifying relationships among staff. A key benefit from ensuring employee participation in CSR was an opportunity to foster greater unity within the hotels. This was evident in three different groups of hotel members, including, new employees within the hotel, existing staff working at the hotel, and former staff working within the hotel group. Many hotel managers frequently spoke about the importance of fostering unity within the workplace. An example included *"In my opinion, I think it [CSR] is very important [to the hotel] because it could bind our staff spirit"* (Informant 17, Director of HR, Chain hotel).

The fourth category related to *developing skills* in terms of fostering greater CSR awareness, improving job-related skills, and uncovering hidden talents. Many hotel managers sought to promote CSR activities as offering on-site opportunities to foster greater learning about damage to the environment and social and cultural disadvantages Learning about the role of business in society, through hands-on experiences, appeared to sit within a broader social context, and as a result, such real life experiences were perceived to be valuable in raising employee awareness and their sense of community within society. This perspective was captured in the following quote:

> *Our employees after participating in this cleaning canal activity, they presented the reflective story such as what was the waste in the canal? and where did the waste come from? They could present and analyse what they learnt today […] we have deeply built their conscience about voluntarily helping others. This gives us a good reflective story that provides feedback from staff perspectives (Informant 23, Marketing Manager, Chain hotel).*

The final category involved *team building* and a cooperative working environment in the hotel. All participants recognised the valuable role that participating in CSR activities had in developing team morale and effective teamwork. In addition to this incidental benefit from CSR engagement, many managers indicated that CSR activities were also a means to an end. That is, CSR activities were often designed and undertaken to achieve the specific goal of teambuilding. In particular, one HR director from a large hotel employed CSR activities as the core activity for team building. This instrumental view of the function of community based CSR activities became apparent when she illustrated how important team-building activities were to the hotel. In taking more than 800 hotel employees to undertake CSR community based services, the hotel was also sending a strong statement of the worth of such a program. The example is expressed as, *"Mostly, the purpose of these [CSR] activities was not different, such as, […], teamwork"* (Informant 3, Executive Assistant Manager, Independent hotel).

In brief, these five categories of staff benefits were identified: having fun; feeling pride; unifying process; developing skills; and building teamwork. These categories can be represented in terms of who might be the primary beneficiary of CSR activities and the nature of those benefits accruing to staff and to the hotels. The first two categories of having fun and feelings of pride were related most closely to emotions felt by employees. The unifying-relationship category relates to feelings of identification with the organisation and the development of relationships amongst employees, which means both the hotels and their employees could be expected to be joint beneficiaries. The final two categories of developing skills and building teamwork were related to technical work skills and the ability to perform better, which would appear to benefit hotel management.

In addition, the benefits of this project are that it is expected to gather fresh insights relating to key antecedents resulting in a new conceptual framework. It is anticipated that the practical contribution of such empirical knowledge offers benefits to policy makers engaged in fostering CSR type activities within business communities. For example, CSR activities can be designed to offer a unique opportunity to hotels, thereby allowing managers to fulfil their specific needs, especially in staff development.

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Corporate Social Responsibility, Responsiveness, & Performance

CONFERENCE THEME: "Reclaiming the Societal Dimension"

CORPORATE SOCIAL RESPONSIBILITY: DEFINING THE SOCIETAL DIMENSION

Duane Windsor[1]

Abstract: This paper addresses the 2014 conference theme in aiming to define the "societal" dimension. The key finding is that society is a vague and contestable term. A societal dimension maintains CSR against reduction-oriented substitutes such as corporate responsibility, corporate citizenship, and stakeholder theory. Literature suggests five conceptions. (1) Society might be decomposed into external stakeholders of a firm with differing salience. (2) Another approach is internal to the firm: managers have pro-CSR or anti-CSR values shaping salience. (3) A third approach combines external and internal considerations: all stakeholders pressure top management. (4) Society is an aggregation of interests possessing theoretically informed prioritization independent of relative power and of specific stakeholder status. (5) Public policy is not necessarily reflective of society in either the prioritization sense or a general will sense, but might reflect bare majority opinion exercised through governmental arrangements. A hybrid solution combines virtuous managers and external controls.

Keywords: business and society; corporate social responsibility (CSR); CSR discourse; society and business; public interest

THE 2014 IABS CONFERENCE THEME

The 2014 IABS conference theme "Reclaiming the Societal Dimension: New Perspectives on 'Society and Business'" bears directly on corporate social responsibility (CSR) theorizing: society links business to responsibility in the sequence of words in CSR. The general question is how society and business relate. While business is readily defined as a profit-seeking enterprise (publicly traded or privately owned) in the private sector, "society" is not so readily defined. There are two general conceptions of society in the theory of liberal democracy. One view is an organic community: the population and historically evolved institutions and traditions of a country (Edmund Burke, *Reflections on the Revolution in France*, 1790). This view suggests responsibility or duty as a member of the community. The other view (Hill, 1999) is expressed in public choice theory, a form of rational choice model, as a collection of independent citizens engaged in exchange-like conduct grounded in individual rationality (Buchanan & Tullock, 1962; Downs, 1957; Olson, 1965). This view suggests responsiveness to social control as a strategic judgment rather than from a sense of responsibility. This paper explores the various meanings that can be assigned to the "societal dimension" in extant literature.

The remainder of the paper is organized as following. The next section explains some relevant basics of corporate social responsibility (CSR) and social control (or corporate accountability). The subsequent section identifies five alternative conceptions of society. The next section examines

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alternative conceptions of CSR. The final section examines the problem of defining "the public interest" in relationship to CSR.

CSR AND SOCIAL CONTROL

Wartick (1997) proposed broadening the discipline label from "business and society" to "businesses in societies" for a more global context. The "societal dimension" might vary across countries, including countries with capitalist economies, which can be separated between liberal market economies and coordinated market economies (Hall & Soskice, 2001). Society may be a highly variable phenomenon. A domestic enterprise operating within one country is different from a multinational enterprise operating in several countries – with respect to the "societal dimension." Wood (1991: 695), cited by Moir (2001: 16), states that "the basic idea of corporate social responsibility is that business and society are interwoven rather than distinct entities." Cleo F. Craig, President of AT&T (1951-1956) reportedly expressed the idea as follows: "For us in business, I can see only one sure course to follow. Call it common sense, call it policy, call it anything you like. To my mind, industry must aim for, exist for and everlastingly operate for the good of the community. The community cannot ride one track and business another. The two are inseparable, interactive and interdependent" (quoted in UNESCAP, 2009: 6; Stephenson, 2008).

The CSR concept is distinct logically, in terminology, from corporate environmental responsibility (CER), corporate stakeholder responsibility (CStR), corporate citizenship (CC), and corporate responsibility (CR). One can combine CSR and CER as CESR or CSER. This paper views CSR as the umbrella or rubric concept within which the other labels can be subsumed. (Schwartz & Carroll, 2008, consider some of these ideas as complementary.)

A narrow interpretation of CSR treats society as a firm's secondary stakeholder: CSR is just a residual subset of CStR. This narrow interpretation subordinates society and emphasizes stakeholder management by the firm to the firm's advantage. A broad interpretation asserts societal supremacy over CR: management is responsible to society as a whole rather than to particular stakeholders or a residual notion of society. Social control (Stone, 1975) or in modern terminology corporate accountability (Valor, 2005) is "the core of the business and society field" (Jones, 1983: 560). Social control may occur through some combination of social expectations, manager values, stakeholder pressures, and public policies including legal environment. A "whole" involves problems of collective action addressed by Rousseau's "general will" conception of popular sovereignty (Grofman & Feld, 1988). The general will (Jean-Jacques Rousseau, *The Social Contract*, 1762) is a collective will for the common good. One might think of near unanimity on a policy question. The conception has been criticized as quasi-metaphysical. However, the conception suggests that a large group is more likely to be correct than any individual in the group, reflecting Condorcet's jury theorem (Ladha & Miller, 1996).

Both the CSR concept and a societal supremacy assertion are disputed – perhaps "essentially contested" without feasible resolution of anti-CSR and pro-CSR views. CSR "means something, but not always the same thing, to everybody" (Votaw, 1972: 25). Characterization as "essentially contested" has been applied to CSR (Gond & Moon, 2011; Okoye, 2009), the stakeholder conception of the firm (Miles, 2012), and sustainable development (Crane, 2007). An "essentially contested concept" is one that is perennially debated without resolution (Gallie, 1955-1956). Anti-

CSR views tend to be grounded in a positive (economics) perspective. Pro-CSR views tend to be grounded in a normative (ethics) perspective. Reconciliation of positive and normativistic perspectives, with both being necessary and neither sufficient, has been proposed (Schreck, van Aaken, & Donaldson, 2013; Van de Ven & Lifschitz, 2013).

ALTERNATIVE CONCEPTIONS OF SOCIETY

This paper defines the CSR "societal" dimension. Society however can be defined variously. There are five alternative conceptions of society in extant literature.

(1) Society might be treated as external to the firm and decomposed into specific external stakeholders of the firm. The pure form of this approach is a power model: managers weight salient pressures by relative power. External stakeholders, including governments and activists, pressure value neutral management. Society is an abstraction that does not have power and thus no salience, although represented by certain stakeholders such as governments and activists. A social control model may have cognitive limitations (Barnett, 2014).

(2) Another approach is purely internal to the firm: managers have pro-CSR or anti-CSR values shaping their understanding of salience and pressure (Hemingway & Maclagan, 2004). Managers thus imagine or ignore society; they combine this view with strategic management. These values may vary culturally (Waldman et al., 2006).

(3) Aguilera, Rupp, Williams, and Ganapathi (2007) put "S" back into CSR by assessing the motives of various stakeholders in promoting pro-CSR conduct. This approach combines external and internal considerations: internal stakeholders also pressure management.

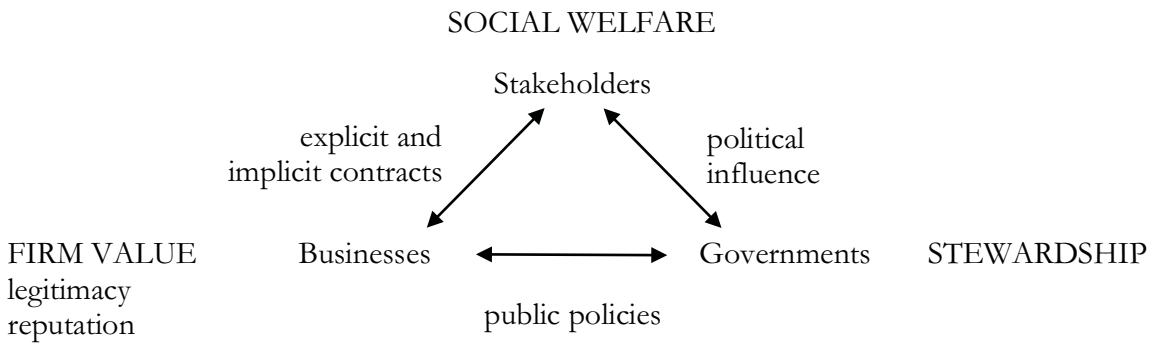
(4) Society is an aggregation of interests possessing theoretically informed prioritization independent of relative power and not necessarily dependent on stakeholder status with respect to a specific firm. In economics, the whole set of consumers in a society has highest ultimate priority. This theory requires no persistent monopoly power and no uncompensated negative externalities as conditions for social welfare maximization (Jensen, 2002).

(5) Public policy, as determined by representative government, is not necessarily reflective of society in the prioritization or general will senses defined above. Public policy might reflect bare majority opinion exercised through government. Pareto and Kaldor-Hicks forms of efficiency differ. The Pareto form is a strict no-harm principle; the Kaldor-Hicks form is a benefit-cost principle in which the condition of benefits exceeding costs permits hypothetical compensation. In the Pareto form, so long as no one is harmed by another's gain, then the gain is efficient and should occur. In the Kaldor-Hicks form, so long as the aggregate gains are larger than the aggregate harms, then the gain is efficient and should occur. Hypothetically, the winners can compensate the losers (Feldman, 1998). There may be a difference among majority opinion, effective political influence, and the public interest of the commonwealth. Misaligned incentives can induce government officials to take actions not in the public interest (Stiglitz, 1998).

Figure 1 depicts a "society" (which can be disaggregated into "local" communities) as a set of businesses, governments, and stakeholders. The market economy consists of explicit and implicit

contracts between businesses and stakeholders. Those stakeholders (as do businesses) can attempt to exercise political influence on governments in order to affect public policies toward businesses. In this institutional setting, businesses attempt to maintain legitimacy (Baumann-Pauly, 2013; Suchman, 1995). Social welfare can be the aggregation of stakeholders' welfares, but a purely aggregation approach ignores prioritization of stakeholders (that is, consumers are superior) and tacitly implies Kaldor-Hicks hypothetical compensation.

Figure 1. The Composition of Society



The US Supreme Court ruled, in *Citizens United v. FEC* (2010), that the corporation has a constitutional free speech right to influence society and government – and thus with respect to CSR as well as corporate reputation and net benefits. The Supreme Court subsequently ruled against federal campaign donation limits in *McCutcheon v. FEC* (2014). Both decisions are 5-to-4 splits characterized by some as "partisan" (conservative versus liberal).

ALTERNATIVE VIEWS OF CSR

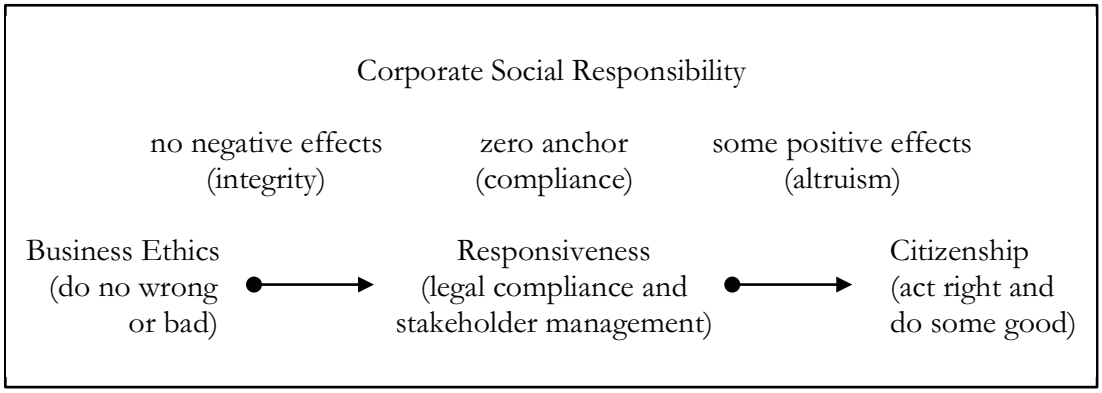
Anti-CSR and pro-CSR positions are antithetical. Alternatives to CSR might be regarded as substitutes (competitors) or complements (Schwartz & Carroll, 2008). Alternatives include: business ethics, corporate citizenship, stakeholder management, and sustainability (Schwartz, 2011: 131). The present author adds corporate responsibility (CR) and corporate social responsiveness (CSR2). Schwartz and Carroll (2008) propose an integrative framework focused on value – accountability – balance (VAB). The firm must produce value (for stakeholders and society), be accountable to society, and practice balance among competing considerations.

CR, citizenship, and stakeholder approaches can take an anti-CSR position in asserting superiority of firm choices over societal supremacy. Ethics, responsiveness, and sustainability take a pro-CSR position asserting societal supremacy. Ideal citizenship can be equivalent to CSR. This paper defines CSR as the overarching rubric within which the alternatives can be embedded. Sustainability places environmental responsibility above social responsibility: society and firm are subordinated to environment. (Corporate environmental and social responsibility combines the two. Triple bottom line combines society and environment with business financial performance.) Responsiveness, a combination of legal compliance and stakeholder management, is the minimum standard for CSR. Business ethics is defined here as doing no wrong (actions) or

bad (outcomes) beyond legal obligations. Corporate citizenship is defined here as doing some good (outcomes) beyond legal obligations.

A simple sketch in Figure 2 illustrates the relationships. On a continuum, CSR is centered at zero on responsiveness. (Zero has the meaning of necessary since obliged by law or stakeholder pressures.) Business ethics is avoiding negative effects even where not regulated by laws or subject to stakeholder retaliation. Corporate citizenship is achieving positive effects beyond laws or stakeholder pressures. There is a mapping onto integrity, compliance, and altruism.

Figure 2. An Integrative CSR Framework



Campbell (2007: 951) defines CSR firms in terms of two practices: "First, they must not knowingly do anything that could harm their stakeholders - notably, their investors, employees, customers, suppliers, or the local community within which they operate. Second, if corporations do cause harm to their stakeholders, they must then rectify it whenever the harm is discovered and brought to their attention." This definition restricts CSR to a no-harm principle with compensation, and thus excludes citizenship behavior. "By focusing on the threshold between irresponsible and minimally responsible corporate behavior, my definition differs from the conventional definition that other researchers use. Many of them define corporate social responsibility as actions taken by a firm that are intended to further social welfare beyond the direct economic, technical, and legal interests of the firm...." (Campbell, 2007: 951). One can combine irresponsibility and responsibility by focusing on effects of initiatives and activities: "Corporate social responsibility (CSR) represents initiatives and activities of firms with significant economic, social, and environmental implications...." (Mishra & Modi, 2013: 431).

This paper distinguishes ownership among public firms, private firms, and government firms. The classical anti-CSR position restricts CSR in non-government firms to voluntary altruism beyond minimalist legal obligations and ethical duties that are market supporting. "The efficiency of common law rules is central to achieving efficient resource allocation in a market economy" (Niblett, Posner, & Shleifer, 2010: 325). A firm may supply altruism goods where demanded and paid for by non-shareholder stakeholders. Citizenship is addressed in three ways. First, discretionary altruism as defined is a violation of fiduciary duty by managers of public firms. Even if willing to be altruistic, shareholders are advised to act as individuals only – to avoid creeping socialism. Second, all firms are free to lobby government to reduce costs and increase benefits. Third, sole owner-operators of private firms are free to act as individuals through the business; the

same is presumably true of private-firm owners (individuals or families) who hire managers. A private firm with a small number of unrelated shareholders might fall more toward the owner-operator model: a small committee can act unanimously and not face the collective-action problem of the large set of shareholders of a public firm.

The present paper addresses the classical anti-CSR position in three ways. First, the paper broadens CSR to include citizenship behavior. Second, the paper presumes that legal obligations and ethical duties are much stronger than minimalist. Third, strategic behavior involves responding to stakeholder pressures even at some cost to shareholders in order to protect reputation and long-term financial performance. Karnani (2010, 2011), while defending the anti-CSR position, expands the roles of ethics, regulation, and stakeholder activism. (Posner, 2009, relaxed his pro-market stance in reaction to the financial crisis.)

MULTIPLE CONTINUUMS IN CSR DISCOURSE

Analysis involves six dimensions. Three dimensions are intellectual: theories, ideologies, and terminologies. Three dimensions are behavioral: practices, pressures, and regimes. A theory is a logical, behavioral/empirical, normative, or prescriptive/instrumental/strategic argument. Behavioral/empirical theories are verifiable. An ideology is a belief-system held by an individual, whether academic, manager, or stakeholder (Higgins & Neville, 2010). Theories and ideologies are expressed through terminologies (conceptual languages). Practices are what firms do with respect to CSR. Pressures are brought by external and internal stakeholders concerning such practices. A regime is a functioning or proposed set of norms and/or arrangements concerning CSR practices. A regime can be voluntary or intergovernmental.

Figure 3. Three Continuums in CSR Discourse or Debate

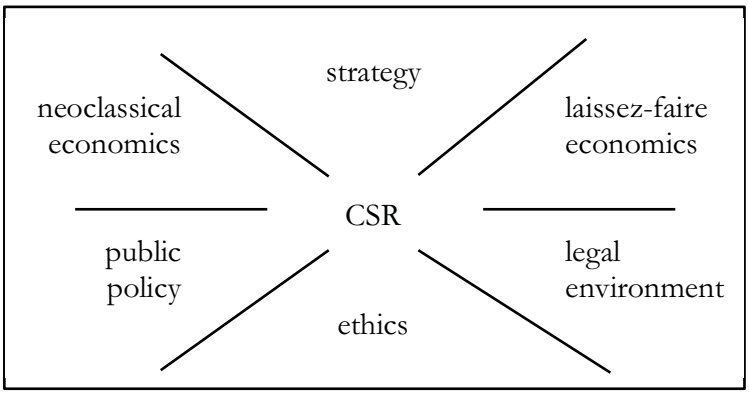


Figure 3 portrays CSR debate as three continuums. One issue concerns the relationship between (instrumental) strategy and (normative) ethics. A second issue concerns the relationship between laissez faire economics (as prevailing in the 19th century to 1870) and legal environment (civil and criminal laws). A third issue concerns the relationship between neoclassical economics (as prevailing after 1870) and public policy (illustrated by pro-CSR policies in the European Union).

The elements of Figure 3 generate or map onto Carroll's four-dimensioned CSR pyramid of economic, legal, ethical, and discretionary responsibilities (Schwartz, 2011: 88). Schwartz and Carroll

(2003) reduce this pyramid to a three-dimensioned set of overlapping Venn spaces by dropping philanthropy as a purely strategic choice (Schwartz, 2011: 90, 94).

THE PUBLIC INTEREST

Karnani (2010) explicitly mentions the public interest: "But the idea that companies have a responsibility to act in the public interest and will profit from doing so is fundamentally flawed." This debunking of a business responsibility for the public interest traces back to Adam Smith, who argued that business does not intend "to promote the public interest" and calls such action an "affectation" that business readily abandons (Smith, Book IV, Ch. 2, Paragraph IV.2.9).

"Even someone as unenthusiastic about government as Milton Friedman implicitly accepted the 'public interest' theory, or the idea that government officials would do the right thing if given the correct information" (Hill, 1999: 2). Hill notes (citing Rowley, 1991: 206) a comment by Friedman (1985: 16) including mention of "the public interest" in connection with the Federal Reserve System.

Karnani (2010) argues, in effect, that business must be made to be responsive to social control: "The only sure way to influence corporate decision making is to impose an unacceptable cost—regulatory mandates, taxes, punitive fines, public embarrassment—on socially unacceptable behavior." A recent instance of "jawboning" business in the public interest is criticism of "tax inversion" in favor of "economic patriotism." Jawboning is moral suasion through public or private appeals (Cotterill, 1999). Tax inversion or corporate inversion refers to a company acquiring or merging with a company in another country so as to change tax domicile to a location with lower corporate taxation (Feyman, 2014). Economic patriotism is an argument that, in one dimension, corporate citizenship involves paying US taxes rather than practicing tax inversion (VOA News, 2014). The U.S. has had, since 2007, the highest marginal effective tax rate on capital investment among developed countries measured in terms of all taxes (federal, state, and local) by the authors' calculation (Mintz & Chen, 2014). That condition generates an incentive to engage in tax inversion, especially in the U.S. pharmaceutical industry (Feyman, 2014).

In the business setting, one can present a case for why a corporation should sacrifice profits in the public interest (see Elhauge, 2005). One team of Australian law professors draws a distinction between the general law and statutory duties of corporate directors and officers. With respect to statutory duties, directors and officers can have obligations other than primacy of shareholder wealth protection (Harris, Hargovan, & Austin, 2008).

A licensed professional can be considered to have an obligation to the public interest. The topic has been a recent topic of discussion in the accounting profession. "A hallmark of the accountancy profession is its obligation to act in the public interest. But it is not always apparent what this means, and how accountants can determine whether they are meeting this expectation" (IFAC, 2012). "IFAC defines the public interest as the net benefits derived for, and procedural rigor employed on behalf of, all society in relation to any action, decision or policy" (IFAC, 2012: 1). "There is a public interest in people being allowed to go about their business. However, collective individual actions can result in an outcome which is not for the greater good in aggregate, and so interference can sometimes be justified in the public interest, even if there is not an overall consensus" (ICAEW, 2012: 68). "A detailed general definition of the public interest would not be helpful as individual

circumstances are too variable and detailed definitions would be likely to result in unintended consequences" (ICAEW, 2012: 68).

While the term "the public interest" is widely used in politics and political theorizing, there is no general agreement on either meaningfulness (as in "the public interest") or specific meaning (as in "a public interest") of the term (Downs, 1962: 1). The term is intended to convey "welfare of the community" as distinct from self-interest (Banfield & Wilson, 1964: 876). The term is important in regulatory law as a standard (Cochran, 1974: 327). The term tends to function in politics in practice as a rhetorical appeal arguing that one's view of a policy issue should be adopted as good for the commonwealth (Downs, 1962: 1). The appeal can reflect an opinion or an informed judgment. The concept of "the public interest" is popular as a political justification; it is a modern replacement for "public opinion" and "the will of the people" (Barry, 1967).

One can sidestep appeal to public interest by an approach to choice based entirely on private interest aggregated through some decision rule (Brown, 1975; Wittman, 1989). The decision rule might be something like a majority vote based entirely on private interest: the winners take the spoils, constrained constitutionally by any rights protections for losers. A market economy functions similarly: higher demand purchases products and services relative to lower demand; the decision rule is demand and supply. Aggregation of preferences (whether voting or market) is simply a contest of private interests, although the actors may consider public interest (Banfield & Wilson, 1964: 876). A decision maker, acting by delegation – such as an elected representative or an appointed regulator or a judge – must either count votes or weigh the public interest (Herzel, 1951). Responsibility or citizenship theories, regardless of the specific label attached, expects the firm to act as if there is public-regardingness. The firm might do so out of enlightened self-interest, that is regard for its reputation and social license to operate and future profitability – so long as the effect favors the commonwealth, such that motive and consequence can be separated. The concept of public interest embeds a moral dimension: in some manner, the policy choice must benefit the commonwealth. The validity and applicability of this concept is a dividing line between idealists and realists over morality and interest in domestic politics and international affairs (Sorauf, 1957). Communitarianism and individualism are on opposite sides of this dividing line. Communitarianism is a theory of a moral commonwealth (Selznick, 1994). Any theory of public values is a criticism of economic individualism (Bozeman, 2007).

In the 1960s, there was considerable discussion of public interest in political philosophy, political science, and urban planning literatures (see Cochran, 1974; Flathman, 1966; Friedrich, 1962; Held, 1970; Meyerson & Banfield, 1955; Schubert, 1961; Wheaton & Wheaton, 1970). The discussion meanders without much resolution, suggesting that public interest is an essentially contested concept. There has been a recent revival of interest, partly as a public value or communitarian counterbalance to economic individualism during the 1980s and 1990s (Bozeman, 2007; Ho, 2011).

Public interest is still formally a consideration in regulatory proceedings (Cochran, 1974). Public interest has a continuing role in cost-benefit analysis (CBA) of public goods provision as well as of regulatory standards setting (Steiner, 1970). The fundamental principle of CBA is that social benefits should be greater than social opportunity costs. There is a moral dimension to this fundamental principle, and the principle has been challenged in favor of overriding ethical considerations which in effect require that in some decisions social opportunity costs will be greater

than benefits in a purely economic framework that is too narrow in scope for the decision problem (Kelman, 1981; Wolfson, 2001).

A hybrid solution combines virtuous managers and external controls. First, a business should voluntarily comply with laws and avoid generating harm for stakeholders. The avoidance of corporate irresponsibility – through legal compliance and minimization of harm – may be more important to social welfare contribution than corporate altruism (Windsor, 2013). Enforcement may be necessary where voluntarism fails (Karnani, 2010). Second, paraphrasing Adam Smith (The Theory of Moral Sentiments, 1759), and treating businesses as if citizens, citizens (including corporate) should obey the laws and good citizens seek to promote the general welfare. Third, quoting philosopher Alfred North Whitehead (1967: 98): "A great society is a society in which its men [and women] of business think greatly of their functions."

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Stakeholder Issues & Theory

CONFERENCE THEME: "Reclaiming the Societal Dimension"

CREATING A GLOBAL COMMUNITY: FACILITATING DISCOURSE AMONG ENGAGED STAKEHOLDERS

Lisa DeAngelis[1]

Acknowledgements: The author would like to acknowledge David Levy and Kathleen Raddatz from the University of Massachusetts, and the three blind reviewers for their contributions to this article.

Abstract: If we are to enact a global community such as Scherer and Palazzo's model of deliberative democracy (2011), each of the actors within this community needs to be willing to break with existing norms and beliefs and experiment with new ways of thinking, working collaboratively to achieve a common set of objectives (Austin, 2000; Mackey & Sisodia, 2012). Yet there appear to be indications that support a more neo-institutional perspective, one poised to maintain and reinforce current structures of power (Lounsbury, Fairclough, & Paul Lee, 2012). Key to enacting this global community is understanding and giving voice to the varied stakeholders (Barrett, Thomas, & Hocevar, 1995; Freeman, Wicks, & Parmar, 2004; Freeman, 1994; Hardy, Sargent, & Thomas, 2011; Obstfeld, Sutcliffe, & Weick, 2005). Critical management studies may offer a platform for exploring this as it seeks to identify alternative approaches to addressing complex issues (Banerjee, 2012) by engaging varied constituents.

Keywords: global community; stakeholder; collaborative leadership; shared value

INTRODUCTION

Early business models, such as the family-owned single storefront, offer a lens through which to examine global community. When the early Mom and Pop corner stores opened, they knew that they were there to serve their local community and, to do so effectively meant collaborating with the constituents affected by their existence, such as local government, other businesses (perhaps through the chamber of commerce), community groups, and citizens. Over time, these stores gave way to the rise of national chains, which have since succumbed to multinational corporations (MNCs). Now, the borders within which a business operates are quite fluid; and, if the business' supply chain is taken into account, the reach of a single business can include a multitude of nation-states (Banerjee, 2012; Levy & Kaplan, 2008; Scherer & Palazzo, 2011).

Hirst and Thompson define globalization as that of growing international interconnectedness, including flows of trade, investment and communication between nations (2002, p. 247). This definition of globalization grounds us in an understanding of the complexity and interdependence that organizations around the globe have directly and indirectly with one another and with their varied stakeholders. Organization, for the purpose of this paper, means any organized entity, be it business, government, community group, etc. that have come together under a common purpose.

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As the reach of these MNCs extends further around the world, less systems and structures are in place to provide a universal set of standards and oversight (Banerjee, 2012; Brugmann & Prahalad, 2007; Levy & Kaplan, 2008; Porter & Kramer, 2011; Scherer & Palazzo, 2011). At the same time, this interconnectedness makes it more difficult for the MNC to simply comply with the local standards. One example of this, provided by Dryzek (2006), is how "national governments are called to account by human rights standards and find it difficult to hide their abuses from the global media" (p. 99). Their actions are viewed not only through the lens of local norms and policy, but also on a global stage where they can be measured but not easily held to account (Crilly, 2010, p. 713). This wide reach represents a conflict for the organization in that, while they may have made choices for economic reasons, they may be chastised for not meeting higher moral standards. Some examples of this may include establishing production facilities in areas that endorse child labor and/or unsafe work environments; lax regulatory standards, and bribery or extortion. Lost along the way is the corporation's embeddedness in the communities they serve. While international law has begun to take up the issue of international commercial law it falls short of addressing societal and environmental impacts. This has led the varied stakeholders to begin working—both individually and collectively—to understand and address the gaps and conflicts (Scherer & Palazzo, 2011).

"Leaders are increasingly confronted with heterogeneous cultural contexts, devoid of shared moral orientations or legal frameworks. As moral or ethical conflicts arise in the process of economic activities, business leaders are left without any orientation in regard to morally adequate action" (Voegtlin, Patzer, & Scherer, 2011, p. 3). Although it is not clear that the leader has *no* orientation, there is agreement that no shared system of behaviors has emerged to provide leaders with a compass for navigating these uncharted waters.

WHAT IS A GLOBAL COMMUNITY?

A global community can be defined as an interdependent and interconnected group of actors (Dryzek, 2006). This group can come together, morph, or disband as warranted to address emergent issues. They represent each stakeholder community with an interest in the issue at hand. "The solution lies in the principle of shared value, which involves creating economic value in a way that *also* creates value for society by addressing its needs and challenges" (Porter & Kramer, 2011, p. 4). Laszlo and Zhexembayeva (2011, p. 4) expand upon this, "Emerging values and aspirations for a sustainable world are creating a convergence of interests between business and society. Efforts to raise public awareness about global issues such as climate change and water scarcity are leading to rising expectations which, in turn, increase the demands for products that are low-cost, high-quality, and good for this world."

The power of these groups is their fluidity. The issue it is working to address informs the structure of the group. Rather than thinking about these structures as fixed entities, they can be imagined as networks. "Unlike a hierarchy, a network has no apex or center of control. Rather, it has multiple nodes that interact without any command relationship. A network is an informal arrangement that can encompass a variety of actors: elected leaders, public officials from different governments and units, political activists, representatives from NGOs and interest groups, and from corporations" (Dryzek, 2006, p. 100). An example that is being witnessed at this time in the New England marketplace is that of supermarket chain Market Basket. While the author does not claim to have a

detailed understanding of the underlying issues, what is unfolding, quite publicly, is a demonstration of stakeholders coalescing to give voice to an issue (Neyfakh, 2014).

For the purposes of this paper, these groups are stepping in to enact global governance. As Scherer and Palazzo frame this, global governance is "seen as the process of defining and implementing global rules and providing global public goods, is a polycentric and multilateral process to which governments, international institutions, civil society groups, and business firms contribute knowledge and resources" (2011, p. 200). This framework brings together a broader group of actors to address the issue. Their collective experiences and expertise will bring to bear a varied set of potential solutions.

Corporations have begun to make forays into expanding their conception of stakeholders as they venture into the Bottom of the Pyramid (Ansari, Munir, & Gregg, 2012; Brugmann & Prahalad, 2007). Wikipedia (2014) defines the Bottom of the Pyramid as, "the largest, but poorest socio-economic group. In global terms, this comprises the three billion people who live on less than US$2.50 per day." As Brugmann and Prahalad (2007) demonstrate, corporations have entered into collaborations with NGOs, enabling NGOs to gain business skills from corporations while corporations build competence in engaging with the local infrastructure.

The two examples below offer insight into how MNCs grapple with their role as part of a global community. We can begin by looking at one of the largest global corporations, Walmart. Over the past several years, Walmart has begun responding to the public outcry regarding their practices (Flammer, 2013; Meyerson, 2009). However, most of these early attempts have been focused primarily on profitability, such as energy efficiency lighting in stores, and healthier foods to attract new consumers. They have not yet begun to address the more systemic societal issues such as living wages and benefits for their employees. Conversely, Whole Foods has taken many steps toward the ideal of a global community. They joined the Marine Sustainability Council to support sustainable fishing practices; they have completely offset their energy costs with wind power credits; and eliminated plastic bags from their stores. Beyond this, Whole Foods implemented the Whole Trade Guarantee ensuring fair compensation to its suppliers worldwide, and compressing the salary gap between executives and workers (Kannell, 2012). Although these examples are not perfect, we can see that Whole Foods has endeavored to engage itself in addressing the underlying concerns facing the customers and communities it serves.

Whole Food (Mackey & Sisodia, 2012) offers a glimpse into the concept of shared value. "Shared value, as defined by Porter and Kramer, is not about personal values. Nor is it about 'sharing' the value already created by firms—a redistribution approach. Instead, it is about expanding the total pool of economic and social value" (2011, p. 5). Further, Porter and Kramer allege that there are three distinct ways to do this: "reconceiving products and markets, redefining productivity in the value chain, and building supportive industry clusters at the company's locations" (2011, p. 7).

While these early attempts do not yet approach the ideal of all stakeholders having an equal voice at the table, they offer a glimpse into how this model might be realized. Several authors have offered insight into reframing this model from that of a transactional relationship to one that has the potential for broad transformational significance (Austin, 2000; Laszlo & Zhexembayeva, 2011; Mackey & Sisodia, 2012).

THE NEED FOR A GLOBAL COMMUNITY

At the other extreme we are introduced to emerging models that actively seek to exclude the voices of many interested constituents such as the Transatlantic Trade and Investment Partnership and the Trans-Pacific Partnership (Monbiot, 2013; Wikileaks, 2012). These organizations are quite exclusive in their membership and, even those who have been invited to join are given limited information about the workings of the group. The purpose of these organizations is to mitigate the regulatory differences between the various nation-states. However, it is doing so by creating structures that enable corporations to sue governments and has created tribunals to adjudicate the proceedings.

More often the behavior we see suggests that, even within organizations, we are unable to hold open and inclusive dialogue across stakeholder groups to identify shared goals. A simple glance at the headlines of the United States government will confirm how endemic this issue is, an example being "Government Shuts Down as Congress Misses Deadline" (Hook & Peterson, 2013). Here, the political parties became so entrenched in maintaining their position that they were unwilling to engage in constructive, creative discussions aimed at addressing the systemic issues facing the nation.

"Such problems, and more immediate ones like transnational crime syndicates or AIDS, are frequently cited by advocates of greater global governance as demonstrating the inherent limitations of the nation-state. Yet they are also beyond the scope of action by any foreseeable global or transnational institution" (Hirst & Thompson, 2002, p. 251). The structures that have emerged to address global issues such as those noted above have favored the prominent nation-states and corporations, while minimizing those less powerful voices (Gill, 2002; Hirst & Thompson, 2002). The existing paradigm, that of neo-institutionalism, suggests that current discourse always represents and constructs the relationship between business and society based on corporate interests, not societal ones" (Banerjee, 2008, p. 52).

Many scholars are starting to find opportunity in the situation. Ansari et al. (2012) argue that, "MNCs can play a crucial and necessary role in building bridging social capital between the BoP, business and other organizations for transferring and diffusing capabilities. By using social capital as a mechanism for capability building, MNCs can transmit capabilities at not just the individual but also the community level through a mutually reinforcing process of learning and transfer" (p. 822). Porter and Kramer lend their voice to this assertion, positing that "the opportunity to create economic value through creating societal value will be one of the most powerful forces driving growth in the global economy" (Porter & Kramer, 2011, p. 15). And, Laszlo and Zhexembayeva declare, "Embedded sustainability is proving to be a smarter business model for companies of every stripe. Mainstream managers who may or may not believe in environmental social causes are discovering that customers and investors expect sustainability in their core business. Every day it's becoming more apparent that embedding sustainability is first and foremost about responding to a new market reality, rather than only a moral injunction (important as that is)" (2011, p. 224).

FACILITATING DISCOURSE

In order to resolve conflicts, not simply mask them, we need to understand "historical processes and events that inform and situate the current issues" (Lounsbury et al., 2012, p. 212) from the

perspective of each of the engaged stakeholders. Where we are able to understand the saga that shapes each stakeholder's viewpoint, and strive to objectively discern each stakeholder's underlying goals, we are able to focus on identifying effective solutions.

Porter and Kramer suggest that this pattern can begin to shift as companies "view the starting point for creating this kind of shared value as identifying all the societal needs, benefits, and harms that are or could be embodied in the firm's products" (2011, p. 8). Lounsbury et al. ground this shift in institutional theory stating, "clearly, there is still much to uncover about how institutional rules and beliefs underpin the environmental actions of corporations as well as the development and implementation of policy by regimes around the world. Institutional theory provides the tools to assess the context within which environmental policy is shaped, and to investigate how issues and problems are defined, attended to, and addressed. In turn, an increased understanding of how corporations and the environment are embedded in wider institutional dynamics will enable a richer discussion about policy options and a more informed approach to the creation of policy responses" (2012, p. 224). These represent a fundamental shift from the existing paradigm where those in power have the only voice, to a new paradigm where multiple perspectives are engaged to achieve shared value.

"As leadership is increasingly confronted with problems of cultural heterogeneity, moral dilemmas, and ethical conflicts, our understanding of responsible leadership places deliberative and discursive practices at the heart of leadership, thereby aiming for a legitimate and peaceful mode of conflict resolution" (Voegtlin et al., 2011, p. 12). Key to engaging diverse stakeholder groups for the purpose of developing effective solutions is to invite these groups to step away from their entrenched positions and, beginning from a standpoint of shared value, step into envisioning the possibilities.

This seems such a simple concept, bringing constituents together to collaborate to resolve issues, and yet it is not broadly demonstrated in society. One reason for this is that these groups have not established the trust necessary to engage in open, honest, and transparent dialogue. Dryzek (2006) argues for "a discursive democracy that can handle deep differences. The key involves partially decoupling the deliberation and decision aspects of democracy, locating deliberation in engagement of discourses in the public sphere at a distance from any contest for sovereign authority" (p. 47). Banerjee (2008) augments this position, "Radical revisions at this level can only occur if there is a shift in thinking at the macro level. We need to open up new spaces and provide new frameworks for organization-stakeholder dialogues as well as critically examine the dynamics of the relationships between corporations, NGOs, governments, community groups and funding agencies" (p. 73). These scholars advocate for the creation of a new paradigm where engaged individuals are able to address the complex issues that extend across nation-states through dialogue.

A NEW PARADIGM

Daisaku Ikeda, referring to the United Nations report "Resilient People, Resilient Planet" in his 2012 Environment Proposal presented to the United Nations, pointed to the need to "engage all stakeholders in sustainable development, including local communities, civil society and the private sector, as well as governments" (2012, p. 41). The paradigm being proposed is one of collaborative

leadership, where leaders share resources, networks, intelligence, perspectives and assets to achieve common goals (Austin, 2000; Hackman, 2002).

Characteristics of collaborative leadership paradigm

- Engaging a diverse group of stakeholders
- Working cooperatively toward a common set of objectives or goal
- Demonstrating open and inclusive dialogue that seeks to understand and embrace difference
- Eliciting collective experience and expertise to create a varied set of potential solutions

As a reviewer of an earlier draft of this paper eloquently proposed, "this draws the conclusion that responsible business leadership must become more complex and nuanced in order to adequately deal with the complexity of the business-society interface." I would take this a step further to say that all leaders—business, government, NGOs, and civic—must come to the proverbial table prepared to engage in open and constructive dialogue focused on creative solutions. One example is the Emerging Leaders Program at the Center for Collaborative Leadership at UMass Boston, which for the past thirteen years has planted the seeds for this paradigm to grow, bringing together rising leaders from the corporate, nonprofit, and government sectors to learn leadership skills and address issues facing the Greater Boston region.

CONCLUSION

"In a time when it has become increasingly difficult, if not impossible, to delineate systemic outcomes and individual responsibilities, ethics and morality have once again become front-page news" (Voegtlin et al., 2011, p. 1). As a society we are awakening to the reality that it is not the organization, but rather its people, that will affect systemic change. It is about individuals actively working to understand, identify and engage other interested stakeholders, and engage in discourse that serves to resolve the complex issues facing society.

The concept of responsible leadership, as presented by Voegtlin, Patzer, and Scherer, envisions leaders who are committed to enacting their personal leadership in a way that shapes organizational culture and performance and creates effective relations with external stakeholders (2011). "It will require leaders and managers to develop skills and knowledge – such as a far deeper appreciation of societal needs, a greater understanding of the true bases of company productivity, and the ability to collaborate across profit/nonprofit boundaries. And government must learn how to regulate in ways that enable shared value rather than work against it" (Porter & Kramer, 2011, p. 4). This illuminates the ways we need to consider having an open discourse among varied groups of stakeholders. How better for a leader to create a deeper appreciation of societal needs than to sit down with those affected and truly understand their needs.

Of concern when leaders do not immerse themselves in comprehending the profundity of the issue, their responses may do more harm than good (Ansari et al., 2012). "Economic growth, environmental protection, social justice, and intergenerational equity are seen as mutually reinforcing—though again intelligent collective action is required, and positive results will not be achieved automatically" (Dryzek, 2006, p. 17). Again this harkens to the tenets set forth by Laszlo &

Zhexembayeva that "creating value for the company cannot be disentangled from the value it creates for society and the environment" (2011, p. 105).

Scherer and Palazzo suggest that "the growing pluralism of values, norms, and lifestyles in the post-national constellation makes it even more difficult for normative scholars to convincingly formulate and justify a set of universal values or rules that can be applied across cultures" (2011, p. 905). The concern of this perspective is that, rather than striving to understand and appreciate the value that varied cultures offer, scholars are endeavoring to create a singular culture.

An approach to avoiding this issue is the establishment of networks of diverse actors embedded in the issue. "At the same time, businesses can play a role in generating a more diverse stock of *inter-group bridging* social capital through building connections between a specific BoP community and diffuse external parties. This can enable BoP members to access new resources and capabilities, such as expertise, knowledge, skills, financial capital, and other institutional information to 'get ahead'" (Ansari et al., 2012, p. 830). "Developing your projects via ongoing partnerships with government bodies, NGOs, outside experts, local communities and others, you will have access to specialized knowledge about environmental and social performance that is simply unavailable internally" (Laszlo & Zhexembayeva, 2011, pp. 185–186). The ideal of enacting solutions that convey shared value rests atop the establishment and cultivation of broad networks leveraging each other's strengths (Austin, 2000).

As Laszlo and Zhexembayeva (2011) have demonstrated, and as we at the Center have witnessed, bringing together broad stakeholder groups to address issues will result in more creative solutions focused on eliminating rather than mitigating the issue. These early prototypes offer great opportunity for further exploration and research.

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Stakeholder Issues & Theory

CONFERENCE THEME: "Reclaiming the Societal Dimension"

ALLOCATION OR REGULATION: REASSERTING SOCIETY'S CONTROL OVER CORPORATIONS THROUGH TENURE

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Acknowledgements: The lead author thanks Sam Pocock and Anne Stuart for encouragement and advice.

Abstract: Corporations are a social and legal construct. They cannot exist without limited liability and other protections deemed necessary for modern commercial activity. The original justification for corporations was to supply goods and services at a scale beyond local enterprise. This notion of serving the community has been lost and corporations' duty is now seen as increasing shareholder value, which can reduce to funnelling wealth from society to the investor class. Given this modern business orthodoxy, in the absence of statutory directions otherwise, a company is obliged to prioritise commercial forces over ethical ones. Corporate social responsibility becomes an appeal to morality and is doomed to fail. It is open to the legislature to adjust the statutory regime. Serving the public interest can be made a purpose or an objective. By analogy with land law, the simplicity of embedding responsibilities as a condition of registration is contrasted with third-party regulation.

Keywords: corporation as property; public interest; conditions of registration; corporate purpose, regulation.

BACKGROUND AND RATIONALE

Purpose and scope of this analysis

The purpose of this research is to discover a normative foundation for "corporate social responsibility" and so derive a method of embedding this outlook into business orthodoxy. It was triggered by twin observations: first, that business corporations can be detrimental to the well-being of communities; and second, that the literature does not explain how, under the conventional wisdom of shareholder primacy, a company can justify any public-spirited activity that does not directly or indirectly contribute to the organization's profitability.

Corporate social responsibility (CSR) embraces the economic, social and environmental responsibilities of limited liability corporations, including but extending beyond their legal obligations. "Legal obligations" embraces the minimum standard required by the common law and statute law.

In this paper we define stakeholders broadly to include all of humanity, as would seem necessary given the global constituency of corporations (climate change is only one manifestation but

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sufficient to prove the point). We therefore contrast two models, *investor primacy* and *stakeholder primacy*. The term "public interest" loosely approximates "stakeholder primacy".

Australian corporations law

In framing the Constitution, which took effect on 1 January 1901, the six colonies ceded some powers to the new Commonwealth. Responsibility for real property, management of natural resources and community regulation lies with the States. Responsibility for creating and regulating corporations now lies with the Commonwealth, after the States "referred" (delegated) their separate powers, resulting in the national *Corporations Act 2001*.

The Act at section 124 grants to a company the legal capacity and power of an individual. Section 180 shields directors and officers from having to justify their actions at common law by deeming them to have acted with diligence, if their judgements are made in good faith for a proper purpose and avoid conflicts of interest. Section 181 obliges a director or officer to discharge their duties "in good faith in the best interests of the corporation". Notably, this does not specify "the best interests of the *shareholders*", let alone the interests of other stakeholders. On the other hand, nowhere is there any suggestion that the interests of the corporation equate to creating wealth for shareholders.

CSR has not been mainstreamed into the culture of business in Australia. The prevailing mindset is that corporations' primary duty is to serve the financial interests of the shareholders, with ethical and environmentally responsible behaviour being a means to that end. All manner of corporate activities are viewed through the lens of "Will this increase shareholder value?" Business leader Sam Walsh's claim "It is all about shareholder value…That is why we exist" (Freed 2013) is typical.

Corporate purpose and public good

Many authors have noted that the corporate form was originally conceived as a vehicle for furthering the public interest (Hartmann 2002, Rowe 1995). Rowe noted that the original corporations were regulatory agencies, such as local governments. This concept would nowadays be regarded as any meeting of business executives as laughable. The major purpose of any business is taken to be to create profit, although there are exceptions: the CSR movement is making its mark. Some major corporations include commitments to achieving public and environmental benefits in their corporate purpose. Burson-Marsteller & IMD (2013: 4) observed that "business leaders are rapidly realising that companies cannot do business on a failing planet" but also concede that "few are shifting away from the sole short-term profit focused dictated by capital markets...".

Several trends have exacerbated the malign influence of corporations. Through globalization, corporations can shift their operations around the world without any loyalty to the state that incorporates them. Institutional investors have become short-term speculators, rather than committed long-term investors (Strine 2010: 5-6).

It is unnecessary to detail the ills for which corporations can nowadays be blamed. Suffice to mention Enron, Ok Tedi and Freeport, Bhopal, James Hardie's continuing sale of asbestos decades after its hazardous nature ought to have been known and the Murdoch press's proselytising for war in Iraq and against action on global warming. That the first four names are sufficient by themselves

to describe the ills is testament to the scale of the damage caused. Kelly (2001) observed that much of the management literature dismisses sins of this kind as aberrant examples of good corporations making mistakes. If indeed these ills are aberrations, remedies lie in promulgation of ethics, training and enforcement of regulations. But if the malign effects are systemic, only a systemic remedy will be adequate.

REVIEW AND ANALYSIS OF THE LITERATURE

A review of scholarly and semi-popular literature has left the authors unconvinced that corporate social responsibility at present has a sufficiently normative foundation. The notion that investors' interests should reign supreme became widely accepted only in the 1990s although the idea "began percolating at the University of Chicago and on a few other campuses in the 1960s and 1970s..." (Fox 2013). No doubt Milton Friedman's famous essay articulating this outlook had influence beyond its scholarly merit.

Mansell (2013) argues that the corporation has no mandate to reconcile the competing claims of diverse stakeholders – nothing comparable to the mandate enjoyed by an elected government. Given that the interests of stakeholders (employees, suppliers, consumers, governments and so on) are disparate; and given that corporations are structured to be accountable to shareholders, there is no way around this problem. Also, he cannot find a theoretical justification for stakeholder theory: assertions by scholars that corporations "ought" to have responsibility to their stakeholders are insufficient. Stakeholder theory politicises the corporation. We find this argument persuasive.

Mansell accepts "fairness" as normative, deriving from the ancient philosophers and particularly Kant, but this doesn't really solve the problem, as it applies to individuals and one cannot quickly jump across to the corporate form with its powerful accountability to shareholders without some better theoretical linkage. He concludes that while Friedman may not be correct in claiming that the obligations of business are limited to creating profitable economic activity, stakeholder theory in its then-current condition does not overturn investor primacy.

In one sense, Mansell's dismissal of stakeholder primacy shares common ground with Stout's (2012, 2013) dismissal of investor primacy: the corporation has a life of its own independently of both sectors. Stout argued that once a corporation is established, it is no longer merely an assembly of individual shareholders. In law at least, other classes of stakeholder have prior or preferential legal claims on the assets of the corporation: employees, creditors and taxing authorities, so these parties must have a commensurably large stake in the satisfactory conduct of the corporation.

The obligation upon the managers to act in the interest of the corporation is central to the concept of a corporation and cannot be easily abandoned without doing violence to the entire structure of modern business. But there is an ethical vacuum unless "acting in the interest of the corporation" is defined to include CSR and to subordinate raw profit seeking to some higher purpose. At present, in Australian law, the broader responsibilities are undefined and highly contestable.

Nothing in this paper suggests that attempts to articulate codes of practice for business based upon morality or good citizenship are weak or relativist. Their vulnerability lies in being pitted against the investor primacy viewpoint. If managers are convinced that they are obligated to create value for

shareholders, ethics becomes a variable means and loses its normative status. This situation is amenable to remedy. Ethics will always be voluntary and aspirational; to be obligatory, it must by definition be given legal force.

LAND TENURE AS A MODEL FOR GIVING STATUTORY EFFECT TO CSR

The corporation as property

Most commentary in this field portrays the role of the state as that of a "regulator" that imposes restrictions in the public interest upon a corporation that is otherwise seen as autonomous. Post-registration restrictions take the form of, for example, pollution and environmental controls, workplace health and safety standards, town planning and taxation. They are commonly described by the pejorative term "regulatory burden". So long as a corporation pays its taxes, fulfils the letter of its permit and observes the statutory procedures, it can claim that it has fulfilled its public obligations. It is not difficult to see the shortcomings of this model. Regulations always impose a minimum standard, not an optimum.

This conceptualisation overlooks the role of the state as the creator of the form of property known as a corporation. The primary statutory body that administers the corporation's regime is the Australian Securities and Investment Commission (ASIC), which universally is described in business and public commentary as the "regulator." Yet ASIC also has the role of "allocator" or creator of companies. A company has no rights or responsibilities at law until it is registered. The act of registration creates the entity, which then has substantive societal and commercial value. There is no charge for creating this asset, apart from an administrative fee.

That a corporation is a form of property is stated by a number of authors such as Mansell (2013). To examine the validity of this conception, we have turned to the law relating to property as published by the Department of Lands and its successors in the State of Queensland. This clearly explains that the "state" has several different dimensions, coercive and non-coercive. By disaggregating them it is possible to find a pathway for normalising CSR.

State land administration in Queensland

In various publications during the 1990s and 2000s (for example, DNRM 2002), the Department has presented the following model of property.

<u>Statutory processes</u>

After the "state" took possession of all property in the colony, it made land and mineral resources available for development according to this sequence:

- The state *allocates* the property to a potential user, by *proprietorial* mechanisms such as leasehold and freehold titles or mineral leases. They are contractual in nature and permit access, occupation or possession. They are always conditional. They also alter the legal "interest" in the land and allow their conditional right of possession to be transferred from one person to another. This power derives from the state's assumed original ownership;

- A public authority *regulates* the development and use of the property, through *regulatory* mechanisms such as planning schemes and environmental licensing. They are coercive in nature. This power derives from the state's authority to legislate on behalf of its people;

Non-statutory processes

- The property-holder *manages* it to achieve personal goals, by voluntary *custodial* mechanisms, such as works and maintenance. This power derives from the title or from common law after title is granted;
- Public authorities *facilitate development* on private property by *development* mechanisms, such as joint ventures to build dams and construct infrastructure. This power derives from their statutory responsibilities or from contract law;
- Public authorities (along with other groups and individuals) *assist* the property-holder to adopt desired practices, by voluntary *advisory* mechanisms such as extension or incentives for energy efficiency. No specific powers are needed to authorise this activity.

In summary, so long as they do not exceed the proprietorial rights they enjoy as holders of the resource, property-holders are at liberty to use and manage, within the framework of the imposed regulatory restrictions and any contractual obligations they take on.

The above terms of course are capable of several meanings. "Allocation" here means transfer of ownership and does not mean quite the same thing as in the phrase "allocation of scarce resources" used in economics to refer to market-mediated exchange of financial as well as physical resources. "Regulation" is often loosely applied to any statutory activity by governments. Some mechanisms cross the boundaries. For example, observance of a voluntary industry code of management practice can help a property-holder to demonstrate that some regulatory obligation has been satisfied.

Despite these ambiguities, this classification is explanatory in three main ways: it differentiates the range of mechanisms on the basis of their inherent legal characteristics and origins; it explains property-holders' prerogatives; and it differentiates the mechanisms that property-holders can apply by themselves from those that need governmental action.

The reason why CSR is currently underpowered now stands in sunlight: *the state can but does not set conditions of use when it creates the form of property known as a corporation*. The (national) corporations law grants a corporation the right to trade with limited liability, unlimited life and power to transfer its shares – but at present declines to exercise its prerogative to set out economic, social or environmental obligations as a condition of registration.

There is no theoretical reason why the state should abdicate from this potential tool. Indeed, the tool of allocation has a number of advantages over the tool of post-facto regulation. First, it is direct and transparent and dates from the time of establishment of the property – it is not imposed retrospectively on a property-holder who is already conducting commercial activity. Second, it is a condition of existence and cannot be in tension with some prior assumed right. Third, contravention can justify forfeiture of the right of existence. Fourth, the conditions are administered by the body that creates the property and not by a different level of government.

Allocation would tacitly shift the onus back to the corporation to comply with the conditions of registration as distinct from post-facto regulation, which in case of dispute places the onus upon the regulatory authority to prove malfeasance.

Withholding and withdrawal

For land, tenure-related mechanisms are direct and simple. The form and conditions of tenure specify at the outset the rights of the landholder and *withhold* those that remain with the State. Regulatory controls then moderate the landholder's rights by *withdrawing* those that would otherwise be associated with the respective form of tenure (Holmes 1994, 1996). It is more contentious to *withdraw* rights than to *withhold* them. This is a case for retaining tenure powers where re-assignment of a parcel in some different way at a future time could achieve a substantial public policy outcome.

Put somewhat loosely, leasehold or conditional freehold enables the State to set *positive* obligations by specifying the forms of development and use that are permissible or even mandatory; whereas regulatory controls usually set *negative* obligations by specifying activities that are prohibited.

Free market orientation

Contrary to first impressions, a tenure-based control is not coercive but more-or-less voluntary. A system based upon *voluntary* acceptance of *individually tailored contracts* spelling out *direct* and *transparent* mutual obligations in a landlord-tenant relationship is more closely aligned in its essence to the free-market approach lauded by business than a system of *government regulation* imposed by *third party* authorities afterwards.

In theory, such a system could dispense with a corpus of third-party social and environmental regulation, although in practice this will be difficult because responsibilities do not all lie in the same jurisdiction. In Australia, most social and environmental regulation lies with the States while corporations law lies with the Commonwealth. In the United States, most companies are incorporated by the States, and some environmental obligations are federal. The mix will be different for each jurisdiction.

Property titles are or can be conditional

Leasehold titles are well understood as granting only circumscribed rights to occupation or possession. Yet even freehold titles (the most complete form of alienation from the state) are conditional, in all Australian States. When issuing a grant, the state retains the ownership of any minerals, petroleum, gas or (in Queensland since 1992) quarry materials and allocates them by a separate procedure, usually to different parties. The owners cannot sell freehold land granted under the *Aboriginal Land Act 1991*. Early grants reserved indigenous timber for building ships and bridges. In other words, the conditions that the State may insert into any instrument of property can range from more or less none to extensive, with leasehold and freehold being broad categories upon a continuum.

Examination of some of the conditions that are routinely included in pastoral leases in Queensland gives a hint of the conditions that might be placed upon a corporation. These include a limitation on

purpose, a duty of care, an obligation to give information, a periodic review of performance and power to issue a remedial action notice if land is being used beyond its capabilities.

Philosophical origins of property

Modern Western conceptions of the nature of property can be traced to two English philosophers John Locke and Jeremy Bentham. Locke in 1690, arguing against the oppression implicit in the doctrine of the divine right of kings, proposed instead that men had been created as sovereign individuals with inherent, God-given rights to life, liberty and *property*. This philosophy gave birth to some profoundly influential currents of thought. It positioned government as an instrument to protect the property (and other) interests of individuals, not as a threat to them. It visualised property as an original, root entity, comparable with individual life and liberty as a basic right in the state of nature. Locke's model was adopted in 1789 in the French revolutionary *Declaration of the Rights of Man and the Citizen*.

Bentham in 1791 derided as "nonsense upon stilts" the Lockean notion that people enjoyed "natural rights" including property independently of the state. The only rights people possessed were those that the state chose to enforce. Property was the creation of the state.

History has not been kind to Locke's notion that *property* is a pre-existing right independently of civil law. The establishment of limited liability corporations showed that rights could originate through human agency. Although James Madison, a drafter of the US Constitution, personally was convinced that private property rights were a guarantee of civil liberties, the US founding fathers decided to omit reference to "property" as one of the inalienable rights of man endowed by the Creator (leaving "life, liberty and the pursuit of happiness") on the grounds that property was legitimately alienable by the state.

In Australia, a constitutional monarchy, the authority of parliament to create, abandon, repossess or reconfigure property – or civil rights – reigns supreme, subject only to royal prerogative and the Constitution.

Applying the analogy

Davies and Naffine (2001: 69) observed that the corporation, "interestingly, is both person and property". The privileges of personhood are well accepted but the implications of being seen as a form of property have escaped most commentators. Like real property, in a modern society a corporation is created upon registration by the state. If the state's active consent for this action is required, then logically the state must have discretion to refuse. If it can refuse or approve, then logically it can place conditions upon its consent. If the statute is silent on this question, then the common law arguably would authorise the state to condition its consent. If the statute specifically prevents the state from conditioning its consent, then this can be changed.

DISCUSSION

Stakeholder theorists face two major difficulties in establishing normativity in practice. One is the surreal nature of normativity in principle, which has no absolutes in the manner of the arithmetic

absolutes of profit statements. The second is that investor primacy has taken root and has commanded the high ground. To dislodge this will require external power.

Legislation can overcome both difficulties. Legislation establishes what is normative in practice and supersedes or crystallises appeals to deeper ethical principles. Although there may be fierce debates while it is negotiated, after passage it subsumes those contests along with previous legislation and establishes a new frame of reference.

Within the Western tradition, it is possible to find a normative foundation for individual ethics, though it inevitably will remain somewhat generalised and abstract. Exhortations against dishonesty, deceit, theft, racial or religious discrimination and oppression of the powerless can be found in the wisdom of the ancients, the Ten Commandments, the Sermon on the Mount and professional codes of ethics. These mainly cover procedural fairness and conflict of interest rather than substantive policy questions, although many or most professional codes include an obligation to serve the public interest, an element that can extend beyond procedural fairness. These bind practitioners within their organization but may place the individuals in the invidious position of having to reconcile a public-spirited code on the one hand with the organization's imperatives on the other, if the organization is not under the same code.

This analysis seeks a model that will apply to the corporation as an entity and will transcend the personal morality of the individuals within it.

There is a straightforward method of rendering any statement of business ethics or CSR as normative *in practice*: legislate for it. When government steps in and embeds a code of behaviour in statute or makes observance a condition of licensing or registration, the code becomes normative *pro tem* in that jurisdiction for all persons directly subject to it. A good deal of the literature examined on this subject consists of jurisdiction-specific pontification about where responsibilities and accountabilities for corporate behaviour currently lie. While useful for informing those contemplating change, once change is invoked, the platform for analysis has a new datum.

Significantly, after extensive public debate, the United Kingdom declined to embed corporate social responsibility into *Companies Act 2006* as a purpose of companies. It did require directors to have regard to six elements of CSR, but made them subordinate to the obligation "to promote the success of the company for the benefit of its members as a whole" (s.172).

Four fundamental premises

To construct a normative model, it will be helpful to first establish some normative principles on which an analysis can be anchored. Four are proposed here.

Corporations are creatures of the state

Wikipedia's pithy statement "Corporations exist as a product of the corporate law" neatly summarises reality. It is law that invests a corporation with limited liability enabling it to trade without the fear of enterprise-destroying claims for damages against its shareholders. It is law that specifies that ownership is subdividable and shares can be traded independently. It is law that grants

rights comparable to those available to natural persons. It is law that legitimises business judgements exercised in good faith. As there is no global government, every corporation is grounded in the statutory regime of its host nation and exists by the grace of that nation's government.

The implication of this premise is that governments can spell out civic obligations to business – in economic terms, articulate the bounds of the market.

It is in the public interest to establish corporations

Business straddles the boundary between private and public interest. In commercial businesses, private individuals and firms capture after-tax profits, but the prospect of profit is an engine of economic progress. Every society depends upon profitable economic activity and it is in the public interest for firms to be profitable, subject to a number of qualifications. Large businesses bring economies of scale and harvest raw materials and services from a wide catchment. Business on anything larger than a local scale requires a corporate form.

Business requires a clear understanding of its rights and obligations

The extent to which businesses are expected to fulfill economic, social and environmental responsibilities beyond their minimum statutory obligations is unclear. The contemporary opacity of CSR allows some firms to escape with minimalist responsibilities and others to be thereby disadvantaged. Trust in business corporations is declining (in Australia at least) and this represents a serious reputational challenge for business. CSR that derives from the chairman's or chief executive officer's personal predilections is fragile. Further, well-intentioned directors and executives need to be protected from ruthless investors who push commercial objectives over ethical ones. Only an obligation built into statute or a universally endorsed code of practice can offer this protection, and a voluntary code of practice, even if recognized in statute, is more vulnerable.

Corporations exist for public purposes

One does not need to consult references to form this conclusion (although some are itemised above). It is difficult to conceive that a democratic government would create a regime with the express purpose of funnelling wealth from the pockets of producers, suppliers, customers and citizens into the pockets of the managerial and investor classes. Although governments do indeed at times legislate to the benefit of the already-wealthy, it is anti-intuitive that the entire body of corporations law has been created for that specific purpose. Given that the pre-eminent method of measuring shareholder value is a resultant of stock price plus dividends, then the objective of "creating shareholder value" can mean nothing more than extracting profits from the public at large for the enrichment of shareholders.

The state grants or gifts the property inherent in a corporation free of charge to the corporation except for an administrative fee, further evidence that this action has a public interest purpose.

This premise contradicts the prevailing orthodoxy that now goes beyond Friedman's assertion that the business of business is business (that is, to conduct economic activity in the name of the

corporation) to asserting that wealth in the hands of *the wealthy* is a driver of economic progress: a version of the trickle-down theory which has been thoroughly repudiated in economics circles.

Wording of a new provision

A simple generic statement of the purpose of the corporation can overturn the entire edifice of investor primacy with all its anti-social downstream consequences. This could be expressed in a couple of ways. For example: "Every corporation registered under this Act has a twin purpose: to serve the public interest by supplying goods or services or xxxx in an ethically responsible and sustainable manner; and also to create value for shareholders." Language could be inserted at xxxx to confine or limit the scope of the corporation's activities if required. The principle that corporations must strive to be profitable can be articulated, but as only one of the two limbs.

An alternative or additional wording based not upon defining the purpose of the corporation but on moderating its conduct could be: "Every corporation registered under this Act has a duty of care for the economy, society and environment of any community in which it conducts operations." The concept of "duty of care" is well established in law and the courts have a long history of interpreting it. Certainly, duty of care is variable, depending on the resultant of scientific knowledge, community and elite opinion at a given place and time.

More precise would be a provision that calls up a detailed code of practice that would be either prescribed in legislation; or would have independent reputation such as the Global Compact for Business or the Earth Charter. Such a provision might be worded as follows: "Every corporation registered under this Act is required as a condition of registration to observe the ten principles of the Global Compact in all its activities, wherever conducted."

The intention of the legislation would not be to allow governments or third parties to embark on rounds of litigation to punish corporations who fail in their duty of care. It would be to change the mindset of managers at the outset, to establish a frame of reference to shape all activity and behaviour of the corporation. An offence would be portrayed as a breach of the trust placed in the corporation to act according to its original charter.

An even simpler provision would be to specify that a corporation's registration expires automatically after five years unless it is recommended for renewal by a citizens' jury. This might be unworkable for companies expecting to undertake major capital investments such as building infrastructure or opening mines with a lifetime of decades.

Of course, any of these strategies would no doubt be strongly contested by business. Global businesses that intend to operate across borders would threaten to incorporate in a jurisdiction that did not attempt such structural changes. Jurisdictions could compete against each other on the basis of weakness of conditions of registration, just as the US state of Delaware currently attracts businesses because of its perceived business-friendly corporate regime.

This paper does not explore the practical difficulties of gaining sufficient public or sectoral support to enact a community-friendly regime. No doubt a phased or incremental approach, confined initially to new corporations operating domestically, would be necessary. No doubt also, some

business representatives would concede that business globally now has a reputational problem. The approach outlined in this paper seeks to remedy this problem at its source. It simply seeks to give clarity to the social license to operate, an instrument that is widely accepted but remains ill defined.

The notion that commercial enterprise serves the community is in fact deeply embedded in the economics discipline, so a statute simply specifying that is arguably entirely palatable to mainstream economics. The contemporary view that business rather exists to create value for investors has evolved over time. It is entirely feasible that it can evolve in a different direction.

Business can be reminded that a large corpus of the environmental and social legislation that it finds burdensome has been enacted to restrain business corporations from pursuing their profit motive at the expense of society's other objectives. In other words, it could be more efficient and transparent to withhold the right to injure workers and pollute the environment, than it is to tacitly allow that behaviour through corporate autonomy and then withdraw the right later by third party regulation.

Retrospectivity

Legislation could even be retrospective, serving to insert a new CSR obligation into the constitution of existing companies, but this would risk attracting claims for compensation if it were sufficiently directive to require companies to expend money in compliance that they otherwise would not have incurred. Retrospectivity arguably is a breach of the notional contract signed by an applicant and the state at the time of registration.

There are however precedents for retrospective legislation of this kind. In 1994, the Queensland Department of Lands inserted the following clause in the section dealing with State leasehold land:

> **199.** *All leases, licences and permits are subject to the condition that the lessee has the responsibility for a duty of care for the land.*

No compensation was payable. This substantially extended the common law duty of care, which prevents a landholder from damaging the *property* of neighbours and other landholders, but is more or less silent on the welfare of the *land* itself.

CONCLUSIONS

A corporation is a legal structure established by a society to provide goods and services or to perform some other socially useful function. That the corporation is an instrument established to give effect to a society's agenda follows directly from its status as a creature of law.

What might a polity do to support ethical, responsible managers in avoiding harm to the communities that allow them to exist? It could legislate to place their public interest responsibilities on a firm foundation with statutory force rather than rely upon the individuals to uphold personal ethical standards against the pressure of other individuals in their sector who have only profit in mind. The simplest, most powerful and most transparent statutory instrument is the charter of registration. As the state's approval is discretionary, that approval can be conditional. The scope for framing a contract of registration is as wide as the polity determines that it should be.

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Stakeholder Issues & Theory

CONFERENCE THEME: "Reclaiming the Societal Dimension"

SHAKING STAKEHOLDERS TO LEVERAGE A FIRM'S UNIQUE CAPACITY IN ISSUE NETWORKS

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Abstract**:** Firms are often seen to react to stakeholder pressure. However, if one changes the unit of analysis to a social or environmental issue, a firm emerges as a key influencer in mobilizing and connecting other stakeholders. For a variety of reasons, including the firm's raison d'etre of creating value, a firm may be a critical leader or lynchpin in a movement, especially where it bridges gaps in a previously disconnected network. Two previously underappreciated aspects of stakeholder ties are highlighted in this paper. First, the firm can be seen as shaking otherwise latent stakeholders out of complacency, inasmuch as a firm informs and stimulates concerns, emotions, and actions among stakeholders in relation to a particular issue. Second, the firm can be seen as shaking-up the connections between stakeholders, catalyzing new contacts and relationships within an issue network.

Keywords: stakeholder relations, issue network, influence, sustainable development

INTRODUCTION

Existing theoretical frameworks hold that a firm may be affected by – or, conversely, may affect – primary and secondary stakeholders. While both of these observations are valuable and true, management scholars have introduced concepts from the field of network and complexity theories to describe another vital aspect: that a firm is one node in a network of stakeholders (Rowley, 1997), functioning as part of a complex adaptive system (Werhane, 2012). Such models may best reflect stewardship contexts and systemic perspectives of stakeholder networks. This is significant for several reasons, among them being the capacity of stakeholders (considered as nodes in a network perspective) to influence each other in both intentional and predictable and, conversely, sometimes unintentional and unpredictable ways. While stakeholder studies have focused on how social movements as indirect or secondary stakeholders exert influence on firms for the uptake of sustainable practices, we propose that firms play a critical role in 'shaking' stakeholders to alter conditions in markets and society through catalyzing or leveraging movements.

Shaking a stakeholder means to inform and 'shake' latent stakeholders to act on a specific issue, or to shake-up a network to catalyze new connections and stimulate new communications or practices in relation to an issue (Sulkowski, et. al., forthcoming). If a complex social or environmental issue is taken as a unit of analysis, then a novel model of relationships becomes apparent. This model is significant because it highlights the unique capacity of firms to mobilize and leverage a movement. Firms can both contribute to recent societal and ecological agendas such as sustainable

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consumption, conscious capitalism, elimination of production practices that harm people or the environment, eradication of use of certain substances of products, attainment of the millennium development goals, or hastening the achievement of a circular economy, and simultaneously generate greater value to owners if they appreciate and leverage their unique roles as influencers in issue networks. The authors elaborate why firms might shake stakeholders in an issue network. Specifically, this paper outlines a research agenda to address the following research questions: How does a firm shake stakeholders in an issue network? What valuable resources do firms gain by educating and inspiring stakeholders to develop and adopt practices directed towards addressing a social or environmental issue? What is particular about the positioning of a firm to influence an issue network?

STAKEHOLDER FRAMEWORKS

Freeman (1984) articulated the 'end of the separation thesis' when strategies for profit generating activities create value for stakeholders beyond the firm's owners. The corpus of stakeholder theory has been positioned as a potential integrator of business and society (Jones 1995) and as a viable alternative for business strategy beyond the short-sighted and ultimately destructive exclusive serving of only the immediate interests of owners. Literature reviews (see Laplume et al., 2008; Marinades et al., 2011) have categorized stakeholder perspectives in three dominant categories as originally defined by Donaldson and Preston (1995), being descriptive, instrumental or normative. Normative approaches focus on the moral obligations and responsibilities imbued in decision making, while the descriptive and instrumental approaches focus on the strategic practices of the firm. A dominant separation is increasingly apparent between the instrumental frameworks attending to strategic management and those concerned with moral or normative approaches (Mainardes et al., 2011) with some claiming the two may be mutually exclusive.

Rather than engaging in the ongoing debate concerning which approach is the most accurate or legitimate categorization, the authors propose that if the managerialist view is considered to be one where the firm has a performative role as a steward to create value in relation to a specific social and/or environmental issue, then the normative perspective integrates the instrumental. This is an integrative approach whereby the instrumental purpose of value creation is normative. Put another way, and at the risk of sounding trite or over-simplifying, it can sometimes be self-serving to be significantly engaged in a good cause. Related to the central proposition of this paper, the authors begin to outline a model that depicts why a firm might shake stakeholders when the firm's objectives are to some extent shaped by a social or environmental purpose to create value in relation to a specific social or environmental issue. A model that explains how firms affect stakeholders is an underappreciated aspect of stakeholder relations and one that complements Freeman's initial intention in declaring the end of the separation thesis. How firms affect stakeholders through shaking up relationships in an issue network is the key focus of this paper.

The reverse relationship, stakeholders affecting the firm's activities to influence implementation of CSR strategies, has been studied and thoroughly articulated. Carroll and Shabana (2010) connected the growing acceptance of CSR as related to the prevalence of the civil rights, women's rights, consumer rights and environmental movements the 1960's. They state, "*[T]he foundation for CSR was being developed by a quickly changing social environment and pressures from others, especially activists, to adopt CSR perspectives, attitudes, practices and policies*" (2010, p. 87). The important insight is that indirect or

peripheral stakeholders and those with no direct contractual ties or resource dependencies can exert salient claims to influence firm activities (Godfrey et al., 2009). These studies tend to assume the firm's interests are different, agnostic, or even opposed to those held by other stakeholders. Therefore social movements (De Bakker and Den Hond, 2008; King, 2008), shareholder activists, regulatory authorities and non-government organizations (Jonker & Nijhof, 2006; Burchell & Cook, 2013, 2008) are framed as the value-laden moral regulators who influence firm objectives when achievement of optimal – or at least improved – environmental and societal outcomes are the agenda.

Absent from extant theories of stakeholder relations, firms can and do engage in constructive social and environmental practices beyond what can be explained purely by external pressures. Far less obvious, although implied within the original Freeman definition, is the capacity of firms to affect stakeholders to attain a purpose of shared value creation. Value creation in this sense does not only mean value creation for the firm in the form of increased revenue; it can mean improved social and environmental conditions. Firms can and do take a stewardship role (Segal, 2012) to, for example, educate and emotionally stimulate stakeholders to raise conscious adoption of sustainable products, services and lifestyles.

Stewardship frameworks and firms affecting socio-ecological outcomes

An integrated stewardship approach considers firms to be one of many stakeholders within a socio-ecosystem where the environment is the primordial stakeholder (Starik and Rands, 1995; Driscoll and Starik, 2004). Firms are embedded or nested within interconnected networks of individuals and institutions. Extending this approach, a similar but more radical normative view displaces the firm as the focal entity embedding all other stakeholders within a sphere encompassed by Gaia (Waddock, 2011). Each of these perspectives lays a foundation to develop an integrated and systemic stakeholder model whereby the firm may be conceptualised as dynamically interacting with other stakeholders in a network.

Similar to the way in which de Bakker and den Hond (2008) demonstrated how stakeholders are potential forces of collective action exerting salient claims to change the strategic direction of business (de Bakker and den Hond, 2008), we consider the performative potential of firms to influence and shake stakeholders to incite, catalyse or leverage social movements. When firms are imbued in a 'culture of stewardship' (Segal, 2012) they may influence systemic change through providing a platform for authentic dialogue directed towards enacting broad social change. If progressive businesses enact a culture of stewardship we might notice when and how business leaders connect to influence change in the same way King (2008) frames civil society actors. In a stakeholder network, how can businesses act as change agents in shaking up their stakeholders to increase the probability of certain social and environmental outcomes in relation to a specific issue?

Connecting with approaches that have framed businesses as political actors (Scherer, Palazzo and Matten, 2013) business leaders sometimes invoke stakeholders to enact public policy changes that may transform market conditions. How stakeholders seek to influence public policy is not a novel idea. Corporate Political Activity (CPA) has been understood as attempts by firms to influence public policy for favorable firm outcomes (Hillman et al., 2004). More recently Lawton et al. (2013) have noted the potential for responsible CPA to attain positive outcomes such as lobbying to set the

human rights agenda in developing countries and lobbying directed toward regulating ethical conduct within firms and in relation to CSR. Another line of research has examined how stakeholders use a political advantage process (Cummings and Doh, 2000) to benefit from public policy, and that within specific regional settings Non Governmental Organisations (NGOs) and social movements seek to influence public policy in relation to issues affecting firms (Doh and Guay, 2006). As noted previously, these studies consider other stakeholders as the activists lobbying for public policy outcomes to affect firms, but they do not consider the role firms may take in such movements. Firm activities can and do extend to influencing public perceptions in relation to specific issues. Considering the purpose of creating value, their propensity to affect public policy in relation to a social or environmental issue is a performative aspect of their stewardship role that could extend to participation in or leveraging broader social movements.

RELATIONAL EFFECTS IN ISSUE NETWORKS

Frooman (2010) has conceptualized the firm as one of many interconnected stakeholders in an issue network. A stakeholder issue network is comprised of all individuals and entities that hold an interest in a particular issue. The firm is conceptually displaced as the central node and is appreciated for its role as one of many interconnected stakeholders. An issue is defined as an unresolved societal, environmental, or economic problem and one where there are many competing perspectives contending on ways and means to address the issue (or whether there even is an issue). Put another way, it is any context in which human activities are generating negative externalities that could be halted, or where reallocated resources could improve conditions. Often, an issue – whether it is curbing climate-altering emissions, use of toxins, child labor, or giving access to potable water, support of arts education and cultural preservation, or access to public health services, may inspire strong emotions and competing perspectives on how to best address the issue. On the other hand, an issue can often be underappreciated in terms of its scope and urgency if large swaths of society or critical stakeholder groups are under-informed about it. Frooman (2010) proposes the issue network is outside of the market and is comprised of all entities sharing grievances, resources, or opportunities in relation to that issue.

However, as elaborated upon below, the authors suggest that it is possible that issue networks overlay and interconnect with markets. Market opportunities can and do have intertwined social and environmental implications. Thereby any market context where social and environmental issues are considered alongside market opportunities could be conceptualised as an issue network where the network is defined by a common need, or interest in addressing a specific issue. Systemic stakeholder models whereby the relationships between groups are leveraged to address complex sustainability issues could replace the traditional firm focus. Applying this to the issue of sustainable consumption, a model of stakeholder shaking can assist firms to transform markets and benefit firm objectives

Influence and agency mechanisms

Conceptualizations of influence mechanisms have shifted from dyadic one-directional causation models to those that acknowledge the complexity of interconnected interactions. As just discussed, most frameworks situate the locus of stakeholder engagement and negotiation in relation to a specific firm objective, whether associated with strategic decision-making or governance and CSR

practices. A second and related point also discussed in the previous section is that influence is considered as negotiation of salient claims for the prioritisation of competing stakeholder interests to affect or direct a specific firm objective. Therefore the firm is positioned as the central nexus in a single hub and spoke arrangement and this is consistent with the majority of assumptions in many normative and instrumental frameworks.

Alternative models have been developed that position the firm in relation to stakeholders in network arrangements (Rowley, 1997) whereby the interrelationships between stakeholders are also considered. Rowley (1997) made the first attempt to model social network effects in relation to a stakeholder set. He concluded that in network arrangements characterised by less dense ties and where the firm had greater centrality, the firm had more capacity to influence stakeholders. While this approach considers the interactions between various stakeholders, the firm is still placed as the focal node. Werhane (2012) has further decentred the nexus of relational ties as she calls for a shift in mindset given the global complexity of interrelationships between individuals and organizations. Proposing a complex adaptive systems approach, she outlines a systems network framework that assumes 'networks of relationships between individuals or groups of individuals, it affects and is affected by individuals, real people with names and faces' (Werhane, 2012: 121). These models may better reflect the assumptions of the stewardship perspectives and more accurately represent the interaction dynamics in contemporary business environments. Furthermore, firms are increasingly confronted with complex sustainability issues, whereby the social and environmental values related to firm efficiency are inherently entangled. It is increasingly difficult therefore for a firm to act as the value-neutral optimizing machine mechanically interacting in dyadic negotiations with individual stakeholders – if this were ever the reality.

Hybrid Model: Firm as a node in an issue network

Existing theoretical models correctly describe aspects of a complicated and changing universe of relations. An additional dimension is revealed - and several observable phenomena are explained - if one takes an issue network to be the unit of analysis and further recognises that a firm is not necessarily the central focal node. The authors build upon the theoretical model with the firm as one node in an issue network. The network is defined as all of those institutions and individuals (commercial, governmental, humanitarian, and international) that are (in various ways and to various extents) affected by or have an interest in an issue. Individuals and institutions are referred to as nodes.

Networks of stakeholders that ascribe to concepts such as the 'blue economy,' 'conscious capitalism,' the 'circular economy,' and 'zero waste,' have somewhat similar objectives. They seek to internalize the costs, mitigate, or eliminate the environmental and social impacts of industrial production to address complex sustainability issues related to rizing greenhouse gas emissions, inequity, resource mismanagement, and pollution. Firms developing or changing their business models to address complex issues may leverage existing movements or collaborate to create new movements to influence the market to shift toward sustainable consumption to address these issues.

Firms in these networks are one of many nodes with the capability to affect others, and others have the ability to interact as well independently of the firm. The authors elaborate upon the capacity of nodes to engage in 'shaking' others, referring to the process through which stakeholders disrupt

others to care and become advocates for progress on an issue, and also to the process of 'shaking up' the network and catalyzing new interactions between other nodes. Any stakeholders in the network may do this through informing others or shifting others' awareness on a specific issue. However, even if one takes the decentred assumptions of Werhane's (2012) model of systemic stakeholder networks as the basis for interpreting dynamic affects in a model of relationships, one requires a starting point for the analysis. If an issue network is the level at which affects are interpreted, it is important to appreciate the dynamics related to how a stakeholder's individual actions shake a network. The interrelated outcomes of any actions may not be predictable due to the complex nature of relational ties. However, we can seek to understand how one node, the firm, acts with purpose in an attempt to influence others in relation to this issue.

In fact firms may have a unique performative managerial capacity to shake other stakeholders because of their aim to create value. Furthermore, their capacity to coordinate activities between various stakeholders to achieve the aim of value creation means they may have a greater-than-average ability to shake-up networks of connections by aligning or connecting previously unassociated stakeholders. Part of activating affects on other stakeholders involves triggering what is referred to as 'social contagion' where emotional and/or behavioral changes occur through exposure to an issue. When the firm takes a performative role to 'shake' stakeholders to adopt behaviors and consumption patterns that involve reduced negative externalities to society and the environment, they can create and shift markets to thrive in the longer-term. The performativity thesis posits that business strategies shape their context rather than just respond to it.

When the locus of stakeholder analysis shifts to include the relative capacity of stakeholders to affect each other in an issue network, rather than exclusively seeing them focused on impacting firms, the usual assumptions regarding influence require reconceptualization. Stakeholder saliency relates to the attributes of stakeholders and their ends and means in influencing decision-making. In traditional firm-centric models stakeholders' claims will be salient in the decision-making process dependent upon their relative power and the legitimacy and urgency of their claims in relation to the resources required for firm value creation (Mitchell, et al., 1997). Saliency is the ultimate capacity to influence the activities of other stakeholders. This is considered a dynamic and fluid process whereby saliency is continuously negotiated and therefore relations in the network may change.

Typically instrumental stakeholder theories determine saliency according to the relative transactions costs dependent on access to and ownership of resources. Or saliency is determined by the rules and obligations outlined in contractual arrangements. Normative theories explain influence through adherence to social norms and morals and rules associated with codes of conduct. Shaking stakeholders in an issue network may be somewhat dependent upon these dimensions of ties between nodes, however there are other aspects of 'shaking stakeholders' that are related to organizing outside of market rules or social norms.

MEDIATORS OF RELATIONAL TIES IN ISSUE NETWORKS

In the traditional resource-based model, stakeholders use either coercive or compromise strategies to influence resource flows upon which the firm is reliant (Frooman, 1999). Stakeholders receive favorable outcomes relative to their resource ownership or their capacity to manipulate resource flows. Resource flow influence relates to the capacity of stakeholders to mobilize flows to address an

issue and for the firm the intention is to coordinate and develop flows to attain a purpose that will address the issue. In an issue network, traditional assumptions regarding stakeholder influence in the resource-based model are challenged. Understanding how saliency occurs in an issue network is further complicated when a contested issue is the focal point of a network of interconnected stakeholders. Several assumptions related to the normative and instrumental stakeholder perspectives are challenged. Firstly, the issue may or may not be directly related to the core basis of exchange between stakeholders through transactions or contractual or resource exchanges. For example, a firm-customer tie based on the premise of exchange through the purchase of a product may not be the single basis of the tie when the issue network framework is applied. When exerting influence in an issue network stakeholders draw on intangible assets such as emotional responses, desirability, identity and perception of legitimacy and urgency in relation to a particular issue. They may also attempt to appeal to the broader 'common good' to broker connections between disconnected stakeholders or to appeal to latent stakeholders to prioritise the salient claims of long-term sustainability over their individual interests. Firm-customer relationships may extend to that of an alliance for collective action, or a redirection of cash flows for a philanthropic cause or as facilitators of information flows directed through social media channels.

Relational and Organizational Dimensions of Saliency in Issue Networks

Attributes derived from stakeholder, organizational, and social capital theories add relational dimensions to network ties. These may provide explanatory power regarding how stakeholders activate collective action through shaking others in an issue network. Next we will describe these relational aspects of stakeholder shaking. At least three variables are proposed as mediators that stakeholders may draw upon to shake others: (1) intangible assets, (2) partial organizing, and (3) social contagion. The authors propose that each of these characterize aspects of a relational model that could be used empirically to determine how stakeholders 'shake' one another to obtain progress in relation to an issue.

The realization that each connection in the network may have multiple relational dimensions overlaying traditional market-based interactions opens the potential to develop a line of research to analyze how these relational affects characterize the nature of interactions with significance for both theorists and practitioners. For instance, saliency in the firm-customer relationship may be dependent upon various factors similar to those intangible assets of reputation, status, legitimacy, and celebrity as outlined by Rindova, et al. (2006). Stakeholders will draw on intangible assets when shaking the network. For example, reputation may relate to the capacity for a stakeholder's perceived ability to provide a valid 'solution' to an issue. So a stakeholder's capacity to shake other stakeholders will be mediated by their reputation in relation to a specific issue. Status is the relative position of authority on a particular issue. A high status stakeholder is more likely to influence others. Legitimacy is the establishment of desirability and appropriateness of normative values and beliefs in relation to the issue. A stakeholder is able to reinforce their legitimacy through association with established norms that have institutional recognition and are communicated throughout a network. Finally, a stakeholder may influence others through their celebrity as defined by the attractiveness of their social identity as recognized by other stakeholders and in the mass media. A stakeholder may attract the support of others through their celebrity as constructed in relation to an issue. Therefore, in addition to the relative capacity of stakeholders to influence one another through

traditional dimensions, we propose that intangible assets characterize the relational ties when the network is framed around an issue rather than a specific firm objective.

Secondly, the interaction dynamics that shape stakeholder engagements in an issue network are different to those shaping engagement in firm-centric models. In the later, stakeholder interactions are shaped by the 'formal' organizing dynamics of membership, hierarchy, rules, monitoring, and sanctioning (Rasche et al., 2013). Organizing in an issue network is more likely to occur 'outside' of formal consultations and dialogue mechanisms such that cross-sector partnerships, alliances, and movements shape interactions. Interactions are neither rule-based nor sanctioned, but relate to the capacity of stakeholder interactions to instigate voluntary action towards progress on a complex social and/or environmental issue.

Finally, when shaking latent stakeholders out of complacency, other stakeholders in the network may trigger emotional or behavioral aspects of social contagion (Burt and Janicik, 1996). This requires a capacity to create hype about an issue and inspire other stakeholders such that they may prioritise action on the issue over their own interests. Unifying strategic intent that is broadly appealing and that inspires and incites emotional response can be an advantage to instigating or propagating a worldview or call-to-action that spreads through a network through contagion effect.

FIRM IMPLICATIONS

Firms have a purpose of value creation and this often means coordinating activities between various stakeholders and therefore they may have more connections with more nodes. They interact both with institutions and, through branding, sales, employment, and advertizing, to the individuals associated with those institutions – in this way, they can be said to have multilateral relations with other institutions. Firms, depending on their size and age, have networks that are more distributed geographically, that are older in terms of duration over time, and through which they more regularly maintain contact or communicate more information. These observations so far do not directly involve one of the most obvious points of comparison: relative to most individuals and many institutions, large firms have superior quantities of resources and can have a greater ability to command-and-control individuals that they employ.

All of the above means firms have unusual positions in issue networks. They can choose to inform and to shake out of complacency stakeholders in an issue network. Intentionally or unintentionally they can shake-up a network, either through a communication, an action, by being complicit with a status quo that is exposed by someone in the issue network, or by intentionally initiating dialogues and conversations with stakeholders – thus catalyzing new connections and stimulating new communication. With far less effort in proportion to their size (relative to individuals and many other institutions), a firm can substantively advance or restrict or confuse a movement.

To elaborate on the meaning implied in the title of this article: shaking the stakeholder and relationships in an issue network means inspiring or propagating or leveraging a movement. To summarize related points, a network model acknowledges a broad range of mediating variables that play a role in determining saliency. When the focus shifts to issue networks, elements of the instrumentalist, normative, and networked stakeholder perspectives are combined.

Shaking it in practice

The authors stress that the model they propose is simply an additional perspective, but that they believe the optimal observable outcomes in terms of both solving major problems in the world and simultaneously generating sustained value in firms is when firms authentically and regularly shake their stakeholders. The authors use the term "authentically" to mean that the firm and its leadership are open to receiving perspectives and information that could be new, completely unforeseen, and even disruptive or anathema to their own. The authors use the term "regularly" to suggest that the interactions with stakeholders in an issue network is not limited to a single moment in time, but should be repeated or to some extent continuous.

Some essential basic observations from the field of complex networks further point out the wisdom of shaking stakeholders. Specifically and perhaps most importantly, sudden, unforeseen change happens in many systems – so-called "black swan" events (Taleb, 2007) – and any given action, no matter how minor, can trigger an unpredictable, self-reinforcing cascade of effects.

Whether a firm is aware of these phenomena or not, they occur. Whether the firm is aware of its role in an issue network or not, it exists. Whether the firm is aware of imminent or potential disruptive change – constructive or destructive – it is also a reality. The best way to stay aware of both potential triggering events and emergent unforeseen effects is to appreciate the role of the firm as one node of many in a complex issue network. This is the practical implication of conceptually reintegrating the firm and stakeholders together into an issue network.

To replicate the success of certain firms vis-à-vis certain movements – to optimize benefits for both stakeholders and for owners – it appears that, more than staying aware and receptive to information, a firm should proactively shake stakeholders from complacency and shake-up the network of connections. This means unambiguously stating an ultimate aim – stated in common parlance as "doing well by doing good" or "prospering by solving problems" (to coin a possibly new variation), raising awareness of problems closely associated with the core functions of the institution, and actively seeking the best ideas for eliminating problems and creating benefits. As discussed above, the optimal courses of action for the firm and "everyone and everything else" may not be apparent at the start of the process. Solutions or concepts in one field or set of institutions may seem alien, irrelevant, or completely anathema to basic operating principles of another field or its institutions, but in reality they may be critical to an industry or firm adapting and continuing to function.

Put another way, an implication of the network perspective of firms as nodes in issue networks is that it is better to be proactive than reactive. The positive potential of the role of firms as nodes in issue networks should be appreciated, including mechanisms to get shareholders and consumers to reward constructive solution-generating investments. Beyond this, the potential to move society in a direction where both business and the biosphere thrive should be embraced.

CONCLUSION

The authors believe that it is possible for a firm to function as a node in an issue network as part of its purpose to create value for stakeholders. In fact, firms, as is the case with other institutions, may even initiate, propagate, or leverage a movement around an issue. The authors describe this as

shaking stakeholders. There are two aspects of shaking stakeholders. First, a firm may inform and/or emotionally charge stakeholders to alter their preferences, attitudes, and behavior. Second, a firm may shake-up the network, thereby catalyzing new relationships and communication. Recognizing the unique role of firms in issue networks as key influencers has several implications for scholars and practitioners. Appreciation of the potential to "grow a movement, not just market share" can assist firms in adopting strategies that maximize total value creation while addressing critical social and environmental issues.

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Stakeholder Issues & Theory

CONFERENCE THEME: "Reclaiming the Societal Dimension"

BETTERING CORPORATE SOCIAL RESPONSIBILITY THROUGH EMPOWERMENT AND EFFECTIVE ENGAGEMENT PRACTICES: AN AUSTRALIAN MINING PERSPECTIVE[1]

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Acknowledgements: We are indebted to the Faculty of Business, Education, Law and Arts, University of Southern Queensland, Queensland, Australia for sponsoring this research as well as the first author's participation in the IABS conference.

Abstract: Stakeholder literature has affirmed the importance of stakeholder engagement to CSR, but little research has investigated the saliency of weak stakeholders or the development of relationships between weak stakeholders and businesses. The proposed study investigates how empowerment and engagement can influence CSR practices and outcomes. The case study approach for this proposed study uses a naturalistic and interpretivist paradigm. Qualitative primary data will be collected via focus group discussions and semi-structured interviews with sampled communities, representatives of case companies, and sampled stakeholder institutions. Content analysis will be done on secondary data from sampled companies. The study aims to develop a framework that makes empirical, policy, and theoretical contributions to the discourse on stakeholder salience, corporate-community partnerships and CSR practice.

Keywords: corporate social responsibility (CSR); stakeholder saliency; empowerment; engagement practices; partnership; mining industry; Surat Basin

BACKGROUND

The idea that organizations have more responsibilities than solely meeting the expectations of shareholders is not something new in the world of business today. The concept of corporate social responsibility (CSR) has been in popular use in the business lexicon, but the balanced representation of interests and demands of multiple stakeholder groups in CSR practice is still a challenge (Carroll, 1979; Freeman et al. 2010; Oates & Kloot, 2013). A plethora of literature (see, Agle et al., 1999) that addresses stakeholder theory from the firm's perspective, emphasizing *'things'* (salience attributes) the firm wish to see in a stakeholder, with less attention on the means by which a stakeholder can acquire such attributes. As pointed out by Frooman (1999), past studies have focused on "who and

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what they (stakeholders) really want"; however, not many studies have looked at "how to get it." Azlan et al. (2013) indicate that the community in the vicinity of the firm's operation constitutes one of the important stakeholder groups that are normally ignored; communities are the least fortunate stakeholders because they are ignorant about applying pressure for recognition and resources. This study will explore how a relational approach to CSR practices, specifically empowerment and effective engagement of local communities by firms, can enhance both the quality of the relationships and the saliency of the communities to the firms, two factors critical for developing meaningful partnerships.

Stakeholder management has been extensively researched over the last two decades (Werhane and Freeman, 1999; Freeman et al., 2010), but there is evidence that the weak stakeholders – for example, the poor, the indigenous groups and perhaps, the environment – are usually not on the firm's radar (Azlan et al. 2013; Jacobs cited in Erdiaw-Kwasie et al., 2014a). The competing interests of stakeholders make it difficult for managers to balance their responsibilities, identifying and prioritizing the demands of their most influential stakeholders (Oates & Kloot, 2013). As a result, weak stakeholders such as local communities require certain salience attributes in order to get firms to prioritize their demands. The salience attributes, as identified in Mitchell et al. (1997) stakeholder typology model are (i) power to influence the company, (ii) legitimacy of the relationship with the company, and (iii) urgency of the claim on the company. Past literature has provided evidence that firms will react quickly to the demands of powerful and legitimate stakeholders (Rashid, 2014; Currie et al., 2009; Mitchell et al., 1997). To merit becoming a salient stakeholder, weak stakeholders need to ultimately possess identified salience attributes. Refocusing on the 'how' aspects of the salience attributes, which Frooman (1999) points out has received less attention in the literature, justifies the empowerment dimension of the present study.

To Narayan (2002), empowerment is the expansion of assets and capabilities of poor people to participate in, negotiate with, influence, control, and hold accountable institutions that affect their lives. Similarly, empowerment is a process that enhances the capacities of individuals or groups so that they can make their own choices, transforming these choices into favorable actions and outcomes. Lavereck (2001) also suggest that empowering communities adds to their competence and local capacity. Contextually, as communities become more competent and their local capacity improves, they tend to positively influence decisions that affect their wellbeing. Azlan et al. (2013) further indicate that the empowerment of communities by the public sector, businesses and NGOs can keep them well informed, trained and able to effectively influence CSR practices and claim their rights.

Recently, academics and practitioners have focused on the relationships between organizations and stakeholders and the conditions under which this relationship can be healthy and mutually beneficial. Findings from past studies indicate a positive relation between stakeholder relationship quality and financial performance (Waddock and Graves, 1997; Svendsen, Boutelier, Abbott and Wheeler, 2001) and between sustainable wealth and long-term value (Post, Preston and Sachs, 2002) and corporate reputation (Maden et al., 2012). The general consensus is that the relationship that exists between firms and communities should shift from one-way communication to two-way interaction (see Huijstee and Glasbergen, 2008). This requires the development and maintenance of stable relationships between the two parties via communication, identification, dialogue, and exchange processes, as well a combination of these factors. According to Greenwood (2007), the engagement

process needs to incorporate the identification and respect of *"common humanity"* and the clarification of the effects that the actions of one party can have on the other. Noland and Phillips (2010) further indicate that the engagement process goes beyond the simple interaction that may accrue between an organization and its stakeholders. Organisations that plan their CSR policies on the outcomes of stakeholder dialogue tend to approach social issues in a more effective way (Carroll & Buchholtz, 2009).

To date, CSR practices of the Australian energy industry are characterized by diverse gaps such as less or even no involvement of local communities (Franks, 2012; Bice, 2013), conflicts due to biased priority ranking of stakeholder demands (Kemp et al, 2011), and practice CSR as philanthropy rather than CSR integrated into business strategies and organizational practices (Australian Centre for Corporate Social Responsibility, 2013; Kemp & Owen, 2013; Andersen & Landau, 2006). There is therefore still far to go as far as the effectiveness of dialogues for the development of relationships between firms and communities (Cronin & Zappalà, 2003; ISO 26000, 2010; Australian Centre for Corporate Social Responsibility, 2013). This study will focus on CSR community engagement, as it is enacted in the Australian energy industry.

THEORETICAL RESOURCES

With the call for sustainability and the new role of business in society, firm managers are bound to come into contact with and conflict with key stakeholders in the area of responsible business and local needs (Blowfield & Googins, 2006). As companies strive to develop effective CSR engagement practices with their stakeholders, the understanding of firm-stakeholder relationships is limited. Williams and Walton (2013) argue that proper engagement practices and community awareness both underpin the quality of such relationship, but the pathway to such ideals still remains unclear.

In the Australian energy industry sector, the focus of mineral resource development policy is increasingly encompassing participatory evaluation of the social, economic and environmental benefits and costs of mining activity in a community. At the same time, underlying tension has developed over the extent to which citizens are able to determine the appropriateness of mining as a land use in a particular context, the conditions under which it may proceed, and the voices that should count in providing or denying consent (Bridge 2004). This has provided the sector with emerging ideas such as "social license" (Owen & Kemp, 2013; Prno & Slocombe, 2012), "benefit sharing" (Zandvliet & Anderson, 2009), and "community participation" (International Council on Mining and Metals (ICMM), 2012). Social license to operate is now used extensively by all sectors of the industry as the key driver for CSR and community relationships, as it underpins the business case for industry engagement with social and environmental issues (Australian Centre for Corporate Social Responsibility (ACCSR), 2013).

As public trust in the global mining industry has weakened in recent years, social movements, local communities, international media, academics, non-government organizations (NGOs) and other parties have placed unprecedented pressure on firms to take greater responsibility for their socioeconomic and environmental impacts (IIED, 2002). Following a burgeoning interest in stakeholder-related concepts of management in the sector and the drive to improve corporate responsiveness, especially to the social environment, the industry has witnessed the necessity and emergence of community relations units (Buxton, 2012). Emerging evidence suggests that these

units in mining companies have arisen largely as a subset of corporate commitments to sustainable development, CSR, and stakeholder engagement (Kemp & Owen, 2013).

As community relations provide companies with a mechanism through which to manage stakeholder relationships and business interests (Humphreys, 2000), the actual manifestation of such commitment is represented through the CSR policy and practices of the company (Owen & Kemp, 2014; Rees et al., 2012). The re-emergence of the idea that business has social responsibilities that go beyond profit making, that even include helping to solve societal and environmental problems (Corporate Social Responsibility), has provided fertile ground for the debate that has shaped the present direction now assumed by the business-society relationship.

Yet, the emergence of CSR has been shrouded in controversy that has often taken the form of a polemic debate, notably in the mining sector (Idemudia & Ite, 2006). Reflecting on broader debates within the business and society literature about CSR and business contributions to local development (Slack, 2011), the crux of the disagreement between critics and advocates of CSR relates to the nature and scope of these responsibilities. Critics have argued that CSR is an inefficient means of allocating scarce resources and that business lacks the legitimacy and competency to take on any such responsibility outside its primary area of expertise (McWilliams et al., 2006; Coelho et al., 2003; Henderson, 2001). Christian Aid (2004) notes that companies undertake CSR as a form of insurance against disruption and reputational damage as well as to avoid regulation, rather than as a genuine attempt to facilitate development that benefits the poor and marginalized. At the other end of the continuum, proponents of CSR hold the view that the monumental increase in business power, the widespread incidence of corporate misdemeanors, issues of ethics and the increasing inability of governments to meet their basic responsibility to society meant the acceptance of CSR by businesses was both inevitable and a necessity (Carroll, 1991; Moon, 2001). Multilateral organizations such as the United Nations (UN) through its Global Compact (Leisinger, 2007) and the World Bank affirm the potential for CSR to address global poverty (ICMM, UNCTAD, and World Bank, 2006). As the debate is far from resolved, pro-business literature has for some time highlighted the 'business case' for CSR, as it increasingly became a formidable cornerstone for securing business commitment to societal responsibilities. Ostensibly, the business case suggested that acceptance of social responsibility by businesses invariably results in a 'win-win' situation for both businesses and their stakeholders (Idemudia & Ite, 2006).

A key aspect of CSR is the way companies interact with stakeholders (Huijstee & Glasbergen, 2008). Becoming a good corporate citizen involves engaging honestly in dialogue with stakeholders where core values and assumptions are well articulated and mutual concerns discussed in a non-threatening manner (Waddock & Smith, 2000). Dialogue can be seen as the mediator between an organization and its stakeholders as far as CSR messages are concerned. Stakeholder engagement is a broader concept than stakeholder dialogue (Huijstee & Glasbergen, 2008), but the interactive and two-way communication component is always critical for the success of the engagement process. Greenwood (2007) defined stakeholder engagement as series of actions that an organization adopts as it aims to positively involve stakeholders in its activities. Despite the plethora of literature on stakeholder engagement, two schools of thought have emerged. Proponents of the first school argue that stakeholder engagement should not be part of a strategic plan but should instead be developed under specific communicational guidelines to ensure moral legitimacy (Foster & Jonker, 2008; Greenwood, 2007). In contrast, the other school of thought insists that ethical engagement can only

be successful if it is planned as part of a broader strategy (Friedman & Miles, 2006; Noland & Phillips, 2010). However, emphasis has shifted from convergence between strategies and ethics to understanding proper motivation, method and manner of engaging stakeholders, with the matter of power-equity and mutual trust in the organisation-stakeholder relationship presented as a major theme (Cennama, Berrone & Comez-Meija, 2009; Smith, 2004).

The logic of 'win-win' and the appreciation that neither business, nor government, nor society alone can solve today's multifaceted social and environmental problems has facilitated the recognition that partnership formation and stakeholder engagement can be useful strategies for business to meet its social responsibilities. Business Partners for Development (2002) thus concluded that a tri-sector partnership between government, business and civil society, drawing on the complementary core competencies of each partner, will yield better results for communities and for business than any other alternative approach. Further, Azlan et al. (2013) indicate that the success and sustenance of healthy relationships, creating an interface and interdependence between firm and the society rather than tension, are premised on community awareness and skills.

The mining industry continues to be confronted with the difficult challenge of meeting market needs and society expectations, and it is "distrusted by many of the people it deals with day to day." Furher, it is "failing to convince some of its constituents and stakeholders that it has a 'social license to operate' (MMSD, 2002, p. xiv). As a result, talk in the industry of the importance of developing healthy partnerships with stakeholders has become commonplace (International Council on Mining and Metals, 2011). Nevertheless, despite extensive adoption of partnerships and claims of their benefits, the reality is that true partnership remains rare. Erdiaw-Kwasie et al. (2014b) affirm that few communities local to mining activities possess the required attributes to assure saliency, so meaningful dialogue is ostensibly absent, which thus derails the effectiveness and sustenance of partnerships. What constitutes a partnership is therefore largely a matter of debate, and little literature provides evidence of the actual impact of partnership on CSR outcomes and the intended beneficiaries' wellbeing.

RESEARCH QUESTIONS AND OBJECTIVES

The main objective of the research is to offer a framework that examines how community empowerment (society) and effective engagement practices of firms (business) can inform a meaningful and mutual partnership, which can positively impact CSR practices and outcomes. To achieve this objective, the following research questions have been designed.

1. How are community engagement CSR practices performed by energy companies in the Surat region in Australia?
2. How salient do local communities seem to be, given CSR practices by energy companies in the Surat region?
3. How do community empowerment and effective engagement practices influence salience and corporate-community partnerships?
4. How do corporate-community partnerships affect CSR practices and outcomes?

METHODOLOGY

The qualitative methodology shares its philosophical foundation with the interpretive paradigm, which supports the view that there are many truths and multiple realities. This type of paradigm focuses on the holistic perspective of the person and environment, which is more congruent with the discipline of development (Creswell & Clark, 2007). Furthermore, the interpretative paradigm is associated more with methodological approaches that generally start from data about how people feel and think in the circumstances in which they find themselves, rather than making judgments about whether those thoughts and feelings are valid. Interpretative researchers look at the data in depth and do extensive interviews, observations and secondary data analysis to overcome concerns about generalizability (Easterby-Smith et al., 2004).

In the context of this study, the researcher intends to use qualitative multiple methods (see Table 1) to recognize the value and depth of individual viewpoints, as different people have different perceptions, needs and experiences as espoused by Easterby-Smith et al. (2004). As per the focus of this study, both the primary and secondary data will be collected to inform the analysis of the study. Patton (2002) indicates that the advantage of multiple methods approach is that data triangulation can be used: different data sources enable cross-data comparison, and each method uncovers different aspects of empirical reality. As the study data is primarily based on descriptive, explanatory and contextual words from the interviews and focus group discussions (FGDs), purposive sampling will be used to help select information-rich cases.

Table 1. Data Sources and Adopted Methods

Data Type	Multi-stakeholders Category	Data collection Method
Primary Data	Local communities, Energy companies, stakeholder institutions (public sector, private sector and NGOs)	1. Interviews
		2. Focus Group Discussions (FGDs)
		3. Direct observations
Secondary Data	Newspapers, newsletters, annual reports, business news outlets, CSR reports, sustainability reports.	Use of Company websites.

All interview questions are premised on the focus of the conceptual framework of the study, with key themes including empowerment, engagement, stakeholder salience, relational issues, CSR practices and outcomes. Documentary and structured text analysis has been used as a tool in case study designs (Yin 2003). Thematic qualitative analysis will be done on the case study data, and the collected secondary data will be subjected to content analysis. In furtherance, critical discourse analysis (CDA) will be done to evaluate the power-equity within partnerships. This multi-level analysis will help explore findings that answer the research questions upon which the study is premised. The data collection of this study will occur between September 2014 and January 2015.

With reference to the research questions designed for this study, a qualitative case methodology approach was considered. Thus, a case study approach within a naturalistic and interpretivist paradigm is the research design for this proposed study. According to Yin (2003), case study is

pertinent when the research addresses either a *descriptive* question—"What is happening?" or "Has happened?" — or an *explanatory* question — "How or why did something happen?" Yin (2009) adds that a case study is usually chosen when the study deals with unique situations in which there will be many more variables of interest than data points. Also, case study allows the researcher to get a comprehensive understanding of the phenomenon under the investigation, since it is conducted in a natural setting where the process studied happens (Andrade, 2009). The adoption of case study is premised on its ability to help a researcher to gain in-depth information about selected cases. Here, the phenomenon of how empowerment elements and engagement practices can impact CSR practices and outcomes cannot be separated from the context. According to Yin (2009), case studies aim to investigate a phenomenon within its real-life context. Thus, though the uniqueness of each case is captured, case studies enable a holistic account of a phenomenon under consideration

The adopted approach has limitations. The case study approach as employed in this study does not allow generalization across other research settings. According to Yin (2009, p.15), case study is only suitable "to expand and generalize theories (analytical generalization) and not to enumerate frequencies (statistical generalization)." However, in the context of this interpretive study, generalization is not a key focus, as the findings of the study are not intended to be statistically generalized to a larger population. The study primarily focuses on enhancing understanding of how empowerment elements and effective engagement practices can impact outcomes of CSR initiatives. Interpretive study never targets generalization but rather aims to draw together randomly selected samples of human experience.

Despite the stance by this study on the idea of generalization of research findings, its relevance in the field of research cannot be downplayed. As mentioned by Daymon and Holloway (2002), case study helps to identify patterns and linkages to theory in order to generalize about theoretical propositions or concepts. Yin (2009) affirms that the case study still has a significant level of theoretical or analytical generalization value. Through the adoption of the stakeholder salience, institutional as well as the CSR relational theories, the study generates propositions (from the study's conceptual framework) that can enhance generalized understanding of the relationships between firms and communities. Also, the study findings can provide a basis for generalization about the case under study, as results will be transferable to other high social impact industries and regions.

EXPECTED CONTRIBUTION OF THE STUDY

The contributions of the study are succinctly captured under three main broad groups: empirical, theory and policy.

Empirical

The relational approach adopted in the study, which focuses on firms' CSR engagement practices and community empowerment will be the first of its kind to be applied within the Australian Surat Basin region. The research area is a hive of social discontent and the focal companies are important actors, so the results will be transferable to other high social impact industries and regions. Also, the study makes an important contribution to understanding power in relationships between communities and corporations and how to build community capacity to enter meaningful dialogue

with companies. This will therefore help provide new evidence on some emerging issues that practitioners need to incorporate into future programs.

Theory

The conceptual framework of the study aims to make significant theoretical contribution to the body of knowledge. The model of the study will be the first of its kind to adopt the empowerment-engagement case in the business-society relation to enhance understanding on how power-equity in partnership does influence CSR practices and outcomes. Previous works have developed a related model on issues that relate firms and other stakeholders like customers and employees, with no single study focusing on local communities in the mining context. Thus, the developed conceptual framework can serve as a pathway for future research in related fields.

Policy

The study is expected to make a significant contribution towards the Resource Communities Partnership Agreement (RCPA) of the Queensland Government, which is aimed at developing prosperous regions and livable communities in four mining basins of Queensland (QRC, 2009). Despite the substantial role that the mining industry is tasked with in the QRC Agreement, there is no study yet that treats CSR engagement issues in a power-equity partnership towards realizing this set goal for the State's mining basins. The study will therefore provide policy recommendations that can be helpful to policy makers, decision makers as well as planners of such regions, to ensure that development businesses and communities occurs in a more sustainable and mutual manner.

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Stakeholder Issues & Theory

CONFERENCE THEME: "Reclaiming the Societal Dimension"

INVESTIGATING THE PLACE OF STAKEHOLDER RELATIONSHIP MANAGEMENT IN AN INSTITUTIONAL SUSTAINABILITY ORIENTATION

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Abstract: Academic research into the application of sustainable development principles in organisation management has concentrated on how environmental responsibility advances competitiveness, economic efficiency and profitability. There has been comparatively little assessment of the value of managed social relationships as part of an institutional sustainability orientation. This paper draws on exploratory research investigating the value of a sustainable market orientation in strategy management. The research context is organisations operating in the economically important New Zealand tourism sector. In-depth interviews were conducted providing rich data from business, government and community stakeholders. Findings indicate that synergies occur through formal integration of a social orientation with economic and environmental management. This suggests that improved outcomes would result from using a management model such as sustainable market orientation (SMO). Implications include: planning and implementing constructive and principled coordination of institutional of social relationships to assure resources for socially and economically important enterprises, applying equity in business and government responsiveness to stakeholder needs and the imperative to adopting effective international performance and reporting frameworks for sustainability oriented management. The research provides a valuable foundation for further study in this domain.

Keywords: sustainable market orientation management model; stakeholder relationship management.

RESEARCH BACKGROUND

Ecology may be perceived to be the "master science," which recognises humanity's place within the global ecosystem (Holling, 1973). This belief however, conflicts with the Dominant Social Paradigm (DSP) that drives contemporary government policy and business management, giving primacy to the pursuit of continuing human, economic growth. A range of government and academic authorities argue that humanity must adopt more balanced management frameworks such as sustainable development, that permit productive human activity within the bounds of nature (Canada, 2010; Dunlap, 1980; Ehrenfeld, 1976; Ehrlich, 1972). The need to develop management models to effectively address this tension is urgent, given the continuing growth in the global human population and popular expectations of improving standards of living that are inevitably placing growing demands on the planet's finite resources (Azapagic, 2003; Bertels, Papania, Papania, & Graves, 2010).

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The sustainability paradigm calls for an equitable balance of three core elements: environmental, social and economic together in both public and corporate institutional management (Daly, 1990; Gladwin, Kennelly, & Krause, 1995). A greater emphasis on sustainability theory in corporate management is likely to stimulate innovation, socially and environmentally oriented value creation and organisational resilience (Folke, Hahn, Olssen, & Norberg, 2005). Complementing this, other researchers are endeavouring to formulate practical sustainability performance and reporting criteria (Dow-Jones, 2010; Economist, 2010; Epstein & Wisner, 2006; European Union, 2013; Figge, Hahn, Schaltegger, & Wagner, 2002). The Global Reporting Initiative offers the most comprehensive indicator set to date (GRI, 2011; Parris & Kates, 2003), although both academics and practitioners recommend greater simplicity to assist diffusion of sustainability in corporate management (Epstein & Roy, 2003).

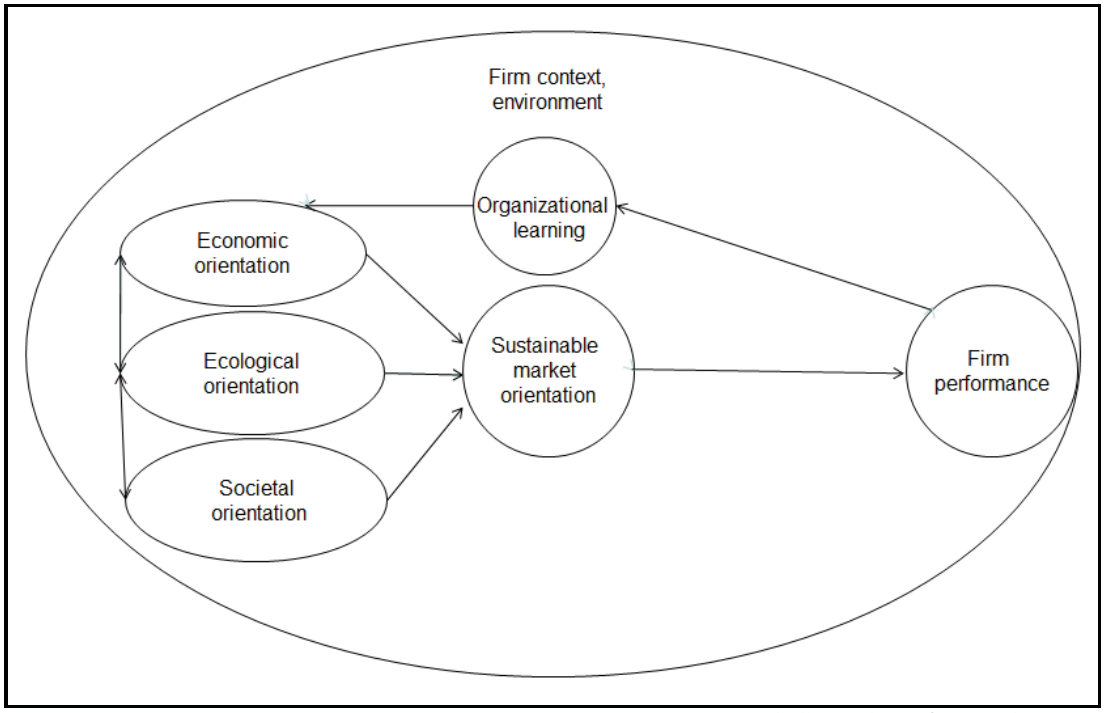
Social trust and cooperation are critical factors in business-community, cohesiveness, economic value generation and helping assure institutional and community resilience (Lantos, 2001; Morgan & Hunt, 1994; Neville, Bell, & Menguc, 2005; Orlitzky, Schmidt, & Rynes, 2003). Research also identifies the need for institutional strategy to be closely related to operational environments (Brammer & Pavelin, 2006). Yet our review of sustainability oriented management literature found that societally oriented stakeholder management in government and business has been given a low priority according to the recommendations of leading researchers and philosophers (Ikerd, 2005; Sandel, 2012; Stiglitz, 2012). In the face of the dominance of economics in contemporary government and business management, there is a long-term challenge to establish social parameters to integrate with economic and environmental criteria for comprehensive sustainability grounded management (Murphy, 2012; Pirages, 1996).

Management models are held to be useful tools for corporate sustainability management in the conventional management fields of resource acquisition, production, marketing and profit generation. Conventional business management models focus on achieving competiveness and profitable financial outcomes (Osterwalder & Pigneur, 2005). Taking a marketing perspective, a market orientation can contribute to innovation, competitiveness, as well as social value generation and long-term institutional resilience (Gudderan & Low, 2001; Narver & Slater, 1990). Alternatively, a continuing concentration on short run economic performance without considering social and environmental consequences, carries the risk of institutional "isomorphism," a diminished capacity for innovation, and resilience (DiMaggio & Powell, 1983). Management models are a means to reconcile a conventional business orientation for profit and growth maximisation with a social and environmental management orientation (Daly, 1972). Academics have conceptualised a series of sustainability management models seeking to address this challenge. Conceptual models found in literature include; steady state economic management (Daly, 1990), sustainability oriented value adding (Figge & Hahn, 2004), triple bottom line accounting (TBL) (Elkington, 1994), and eco efficiency management (Hart, 1995; Stead, Stead, & Starik, 2004) a stakeholder management approach (Connelly, Ketchen, & Slater, 2011), and sustainable market orientation (SMO) based institutional management (Mitchell, Wooliscroft, & Higham, 2010).

SMO integrates key attributes of sustainable development management (Brundtland, 1987) with market orientation (Slater & Narver, 1990). A conceptual model is shown above. SMO based management seeks to address the tension between business and political imperatives of profit and economic growth maximisation, and scientific research which emphasises the need for government

and global business strategies to give greater priority to fostering sustainability-linked social resilience. SMO model development has allowed exploration of a new approach to managing market orientation which is embedded in the DSP, and helps address a dearth of empirical research seeking to integrate sustainability principles in contemporary management systems (Mitchell, Wooliscroft, & Higham, 2012). Research in this paper provides evidence that significant benefits accrue to institutions that formally integrate social stakeholder management in corporate strategy. It also suggests that inclusion of a social orientation in corporate sustainability management provide long term social, environmental and economic benefits.

Figure 1. Conceptual Model of Sustainable Market Orientation in Institutional Management: Antecedents and Consequences



(Mitchell Wooliscroft & Higham, 2010: 161)

RESEARCH OBJECTIVE, METHODOLOGY

This paper builds upon an initial exploration of the value of an SMO that investigated the relationship between conventional market centred corporate management and public service management and sustainability orientation in three organisations (Mitchell, Wooliscroft, & Higham, 2010). Three organisations are the focus of the research. They were purposefully selected and operate in the New Zealand tourism industry and provide tourism services in the internationally renowned Fiordland National Park, (in the UNESCO South West New Zealand World Heritage Area). The organisations comprise two leading and competing tourism SMEs, Real Journeys and Southern Discoveries, and the government agency responsible for national parks, and tourism management, the Department of Conservation (DOC).

The investigation utilised qualitative research to discover a rich diversity of stakeholder views on sustainability-oriented management. Construction of the case study research frame applied methods

recommended in recognised qualitative research literature (Eisenhardt, 1989; Stake, 1978; Yin, 2009). Data gathering involved in-depth interviews of 43 business and regulatory executives, elected national and local politicians, customers and community stakeholders. Interviews ranged from two hours to 20 minutes in duration according to available stakeholder time. After text collation, interview transcription and thematic analysis, data was aligned with key SMO model attributes using Excel spreadsheets. Stakeholder perceptions were used to evaluate SMO model alignment with business and government management practices, to consider reasons for the differing case sustainability orientations and to investigate important management implications. The process also allowed reassessment of data to explore empirical support for three related propositions. These are that: (1) sustainability oriented (SMO) social relationship management and consequent stakeholder trust benefits focal organisations; (2) improved social dynamics between the institution and key stakeholder groups contributes to institutional responsiveness, competitiveness and adaptiveness; and (3) that mutual trust generated by an institutional sustainability orientation contributes to the resilience of both the institutions and the community in which they operate.

RESEARCH FINDINGS

The findings support the application of a formal sustainability model such as SMO in institutional management. Although there were differing social orientations identified in the three cases, encouraging support for the three research propositions was found. The government agency DOC, has a formal framework for stakeholder and sustainability management, while the two private sector cases have informal frames and differing levels of social relationship management. Key findings are discussed in relation to each of the three research propositions.

First, we consider support for the proposition that a sustainability orientation emphasising social relationship management builds stakeholder trust, and more productive decision making. Differing stakeholder relationship management frameworks are applied in DOC, Real Journeys and Southern Discoveries all demonstrate the importance of corporate citizenship and social responsiveness in reputation building and advancing organisational competitiveness and performance. In DOC, stakeholder consultation is a statutory obligation and central to long-term conservation planning and national park tourism management. Since 2009, statute based DOC stakeholder relationship management has been augmented with a national "positioning" programme to raise staff responsiveness in an endeavour to better meet voter expectations that public sector organisations should perform as effectively as those in the private sector. Interview evidence from both business and community stakeholders shows that the "positioning" strategy is indeed helping transform significant stakeholder resentment of DOC regulatory practices to community trust and cooperation. There are better cooperation with local tourism businesses development, and new partnerships with business in conservation management. Taking a national economic management perspective, the improved social relationships are contributing to increases revenue from tourism activity growth that is helping to moderate DOC demands for taxpayer funding in a difficult economic climate.

In the two businesses, stakeholder relationship management is also prominent, but less structured. Their social orientation is focussed on promoting employee loyalty and developing partnerships that assist firm competitiveness, revenue generation and company growth. Interviews confirm that a social orientation is stronger in the 60-year-old firm, Real Journeys, which has a public commitment

to sustainability oriented management and good citizenship. The company was founded by a local family and the over the decades has quietly fostered trust amongst community, government, and tourist industry stakeholders. Over six decades the company has grown steadily in size and profitability while still concentrating its tourism activities in the region. External stakeholders observe that the smaller firm, Southern Discoveries, is mimicking Real Journeys in developing effective relationships with key community industry and regulatory stakeholders. Although the firm has no formal commitment to sustainability oriented management, sustainability oriented social relationship management of strategy management could well evolve, given their use of Real Journeys as a successful business model.

Proposition 2 is that a formally implemented SMO which places value on social relationship management, in turn is likely to increase organisation adaptivity. Our research showed all organisations are reliant on positive social relationships to help achieve their strategic objectives, although only one case, DOC, formally measures and publicly reports on the scale of its activity. Government departments are required to satisfy legislative obligations, government and voter, or general public, expectations. One of the most important stakeholders is the economically important tourism industry. Its relationship monitoring and the newly implemented socially oriented "positioning strategy" is contributing to improved understanding of stakeholder needs, facilitating problem resolution, reducing the likelihood of politically contentious regulatory management. This strategy is also appears to be resulting in improved public perceptions of the quality of DOC regional national park and tourism management.

In the two commercial organisations, the drivers of achieving profit and business growth dominate social relationship management. Proactive, industry and community networking gives the two case businesses rich intelligence about government policy, conservation management tourism industry trends and business opportunities. Stakeholders regard both Real Journeys and Southern Discoveries as well managed. They utilise corporate networking yielding invaluable intelligence to sustain employee management, market competitiveness, short-term performance and long term company development. Social contacts occur through involvement in community forums and projects, industry forums, national park planning and involvement in government trade missions. These assist firm capacity in product and service development, supply chain co-ordination and international marketing and company development. The two firms are members of the Tourism Industry Association of New Zealand (TIANZ), which has a broad objective to foster a sustainability oriented national tourism industry. In addition, commitment of both firms to the industry's environmental auditing processes, confirms acceptance in principle, of sustainability values in meeting expectations of key social stakeholders; including the tourist market, the community and the New Zealand government regulators.

Proposition 3 is that the application of SMO, with its requirement for applying sustainability oriented social knowledge, will increase both organisation and community resilience. Evidence was found indicating that improved social relationship management is helping resilience in the case organisations, and also local communities. DOC's improved stakeholder responsiveness to business, community and environmental stakeholders has increased social and voter confidence in the organisation and stakeholder understanding of the value of its conservation management role. Voter and political confidence in DOC performance is critical to its continuity as an effective public sector agency. Turning to the commercial sector, and consistent with its objective of corporate good

citizenship, Real Journeys is providing continuing employment to trained and loyal staff who live in the regional town. To help assure the availability of quality staff in the remote community, the company helps fund education, sporting, cultural and medical facilities as well as underwriting a variety of environmental management projects. Real Journeys' steady growth over six decades has attracted new tourism businesses to the region such as Southern Discoveries, adding to community resilience. Positive interactions between staff of the two tourism firms, regulators, local government and tourism industry actors are sustaining competitiveness and efficiency of both firms contributing to their long term, resilience. Deepened stakeholder trust is producing new business partnerships with other local entrepreneurs, again adding to business and community resilience. Since its entry into the tourism industry in 2008, a priority for the management of Southern Discoveries has been to assure the firms competitiveness in a turbulent economic climate and to ensure that the shareholders recoup its investment. At the same time the firm has not shied from new investments in regional tourism activity, buttressing community confidence in long term business commitment to tourism in the Fiordland National Park.

MANAGEMENT IMPLICATIONS

Seeking to reconcile institutional management of social relationships with corporate citizenship, we find a clear distinction between public sector and business management of sustainability grounded citizenship as predicted in literature (Windsor, 2006). The public sector case (DOC) showed a dominance of altruism and statute directed commitment as expected for a regulatory authority which an obligation for equitable service delivery to all groups of stakeholders. The two businesses have a commercial orientation and employ corporate citizenship, strategic philanthropy and customary ethics to improve competitiveness, profitability and long-term growth. These differing approaches suggest important management implications. Again these are addressed in the order of the three propositions.

Firstly, addressing the issue of fostering stakeholder trust, interviews revealed varying dimensions of customer and community respect for the three case organisations. There were instances where the two larger large organisations, DOC and Real Journeys were seen to be unreasonable in exercising their power by some community members. For example, local businesses were concerned about the time taken for DOC as the regulator, to approve new tourism ventures in the national park. In a commercial example, community members were expressed concern about the dominance of Real Journeys in the local community. Despite the company's social philanthropy, citizens were critical of the company occupying publicly owned lakeside land for its tourist hub. These examples illustrate the desirability of blending corporate ethics with a sense of citizenship to build long term stakeholder trust. Application of the sustainability governance principle of equity could be useful in fostering institutional responsiveness and issue resolution where conflict occurs in the local community interests.

Regarding the second proposition related to institutional adaptivity, sustainability theory proposes that organisational performance is improved by a balanced integration of core elements of SD - environmental, economic and social management. The research provided a different lens on management practice. It confirmed earlier empirical findings in sustainability research that environmental responsibility is equated with a sustainability orientation and there is little place for social relationship management. It indicates that that deployment of an SMO model would

encourage more balance between economic, social and environmental aspects of institutional strategy. In turn this is likely to stimulate value-producing synergies and organisational adaptivity. In DOC, an increased dedication to on social relationship management is reducing the current concentration on environmental efficiency with positive local relationship and political outcomes. Better-managed stakeholder relationships are improving operating effectiveness in conservation and tourism service provision. Long term, a broader base of social satisfaction for the work of agency is likely to increase DOC's ability to cope with political turbulence. In the case of the two tourism firms, the research indicates that more formal structuring of social relationship management is likely to yield strategic benefits. The study showed that effective engagement with the local community on environmental management produces valuable intelligence about new business opportunities as well as generating new business and community partnerships.

In relation to the third proposition, development of business and community resilience, in all three case organisations, the research identified a concentration on core activities, i.e., achieving short-term economic objectives in the businesses and satisfying environmental and efficiency performance targets in the public agency DOC. All case organisations have formal performance frames for economic and environmental management, and social management is given a lower priority. Management of DOC and the two tourism firms all perceived that application of sustainability principles calls for efficient environmental management rather than the holistic management of social as well as environmental and economic aspects as proposed by sustainability theorists. Significantly, none had comprehensive sustainability performance measurement or public reporting as proposed by the United Nations, the OECD and the Global Reporting initiative (GRI, 2011; OECD, 2006; UNO, 2013). It is therefore suggested that combining an SMO framework with recognised sustainability performance and reporting indicators such as GRI, will encourage diffusion of sustainability management practices. In turn, adoption of long-term strategy timeframes will contribute to firm and community resilience.

CONCLUSION

Research found support for the proposition that social stakeholder relationship management can be usefully integrated within a sustainability oriented management model. Empirical research involving three cases in the New Zealand tourism industry showed important linkages between social, economic and environmental aspects of strategic management, but a limited application of UN, academically defined sustainability measures and limitations in using environmental auditing firms that purport to measure corporate sustainability performance. Public and private sector management continues to be dominated by the imperatives of economic efficiency and profitability. In common with earlier New Zealand research, this study found that government agencies and larger corporations are leading diffusion of sustainability in management, but sustainability oriented management in small and medium businesses is lagging (Collins, Roper, & Lawrence, 2010). It also confirmed earlier research that found a bias to eco-efficiency in the applying sustainability principles in corporate management (Buysse & Verbeke, 2003).

At the same time, the research demonstrated that social relationship management is critical in fostering stakeholder trust, and underpinning institutional adaptivity and resilience. The study therefore indicates a need for New Zealand conservation and tourism management to increase their use of formal social relationship management and that utilisation of an SMO model has the potential

to improve the balance of social management in relation to economic and environmental aspects of sustainability-oriented management. The exploratory research into institutional sustainability orientation in a New Zealand context invites further research to expand knowledge about the value of an SMO management model and ways in which the application of social sustainability principles can be advanced. Studies should embrace both qualitative and quantitative investigation of businesses and government agencies operating in remote communities and reliant on natural resources for their long-term economic and social wellbeing.

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Stakeholder Issues & Theory

CONFERENCE THEME: "Reclaiming the Societal Dimension"

CONSUMER REACTIONS TO CORPORATE SOCIAL RESPONSIBILITY (CSR) IN THAILAND: THE MODERATING EFFECT OF COMPETITIVE POSITIONING

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Wayne Binney

Abstract: The aims of this paper are twofold. First, it contributes to understanding the business case for Corporate Social Responsibility (CSR) in developing countries by focusing on the consumer-organizational relationship. Second, it tests the conceptual framework of Du, Bhattacharya and Sen (2007) which suggests that determinants and consequences of consumers' CSR beliefs vary depending on the extent to which CSR initiatives are integral to the competitive positioning. Using survey data from 250 Thai mobile phone service provider consumers, findings show that a CSR brand is more likely than non-CSR brands to accrue consumer CSR awareness, positive attitude to company motivations, and beliefs in the CSR of that company. Although beliefs are associated with consumers' greater identification and advocacy behaviors towards the CSR brand than the non-CSR brands, they are not associated with loyalty. These results demonstrate some support for a business case for CSR in developing countries.

Keywords: consumer reactions, corporate social responsibility, competitive positioning

INTRODUCTION

Corporate Social Responsibility (CSR) has been the subject of academic study for over fifty years, and is now a major issue in organizational studies (Dentchev, 2009). The concept of CSR is broad, and characterized by considerable debate. This debate is largely driven by a lack of consensus on CSR, and is attributable to the myriad theories, measures, and empirical methods used in the field (Punch, 2003). One significant issue in CSR scholarship is the scarcity of research about CSR in developing countries (Dobers & Halme, 2009; Jamali & Mirshak, 2007). In these countries, CSR shows a distinctive set of agenda challenges that are collectively quite different to those faced in developed countries (Visser, Matten, Pohl, & Tolhurst, 2010).

Recently, the focus of much CSR work has shifted from an ethics to a performance orientation. Additionally, the level of analysis has moved from the macro level of society to the micro level of organization (Carroll & Shabana, 2010). Many scholars have thus turned their attention to the significance of managerial and strategic issues regarding CSR, particularly the relationship between Corporate Social Performance (CSP) and Corporate Financial Performance (CFP). However, most

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research into this relationship remains inconclusive (Margolis & Walsh, 2003). As a result, many scholars call for more specific and carefully developed studies that go beyond generalizations.

Studies from developed countries reveal that consumers are becoming more aware of CSR activities (Bhattacharya & Sen, 2004), in part because companies are increasingly engaging in them and communicating their efforts. Further, some consumer groups are punishing irresponsible corporate behavior by calling for large-scale boycotts (Snider et al. 2003). Marketplace polls (Cone, 2010) and an increasing body of experimental studies (e.g., Becker-Olsen et al. 2006; Brown & Dacin, 1997; Ellen et al. 2006 ; Sen & Bhattacharya, 2001) also show that consumers are more likely to purchase from companies that engage in CSR initiatives. An unusual curiosity is evident however, in that consumer behavior is not always consistent with these findings, and CSR may not be the most dominant criterion in consumer purchase behavior, being well behind price, quality and brand familiarity (Boulstridge & Carrigan, 2000).

Despite assumptions about the ability of CSR to affect consumer behavior, there is a dearth of empirical studies into consumer reactions to companies engaging in CSR (Peloza & Shang, 2011), and even fewer on how this relationship functions in developing countries (Arli & Lasmono, 2010). As a result, consumer reactions to CSR, particularly in developing countries, require further investigation.

Bhattacharya & Sen (2004) realized that an important force in consumer reactions to CSR is competitive positioning. Due to highly competitive contexts affecting the marketing mix, companies formulating CSR strategies require an understanding of consumer responses to such activities, not in isolation but in context of the different CSR activities generated by competitors. In this context, the specific focus of this study is the moderating effect of competitive positioning on consumer reactions to CSR activities in Thailand

CONCEPTUAL FRAMEWORK

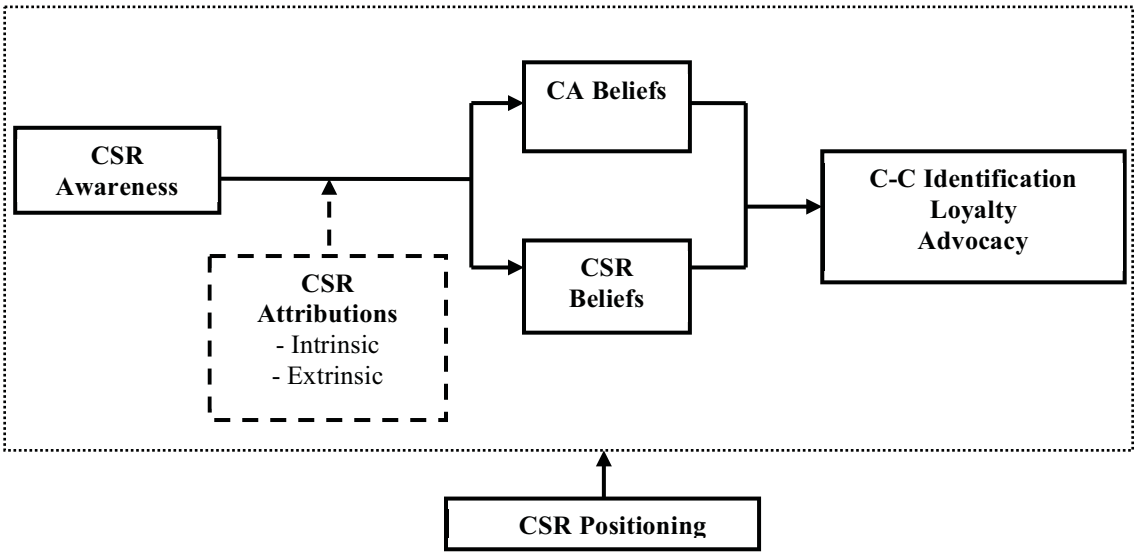
As the focus of this study is to investigate how differences in competitive positioning influence consumer reactions to CSR, it has adopted the conceptual framework of Du et al. (2007). This framework has been considered as the most appropriate because it is well regarded, and has been widely cited and used to study business case in developed countries (Alcaniz et al. 2010; Hoeffler et al. 2010; Marin et al. 2009; and Peloza & Shang, 2011) This framework was used to examine the determinants (CSR awareness, CSR attributions) and consequences (Company-Consumer (C-C) identification, loyalty, & advocacy) of consumers' CSR beliefs, and how differences in CSR positioning influence these relationships in the context of a developed country (see Figure 1). Du et al.'s overall findings suggested that the determinants and consequences of consumers' CSR beliefs vary, depending on the extent to which CSR initiatives are an integral part of the brand's positioning relative to its competitors. They found that positive CSR beliefs held by consumers are associated with loyalty and advocacy behaviors.

Research Design

This study involved a questionnaire survey of the customers of the three largest mobile phone service providers in Thailand: Advanced Info Services (AIS), Total Access Communication (DTAC),

and True (True Move).This industry was the focus for three reasons. First, as all three brands (AIS, DTAC and True Move) engage in CSR activities that differ in CSR emphasis, the moderating influence of differences in competitive positioning can be tested. Second, AIS, a dominant brand in this category, is positioned primarily on corporate ability (CA), while the other two brands, DTAC and True Move, are more focused on CSR. However, only DTAC is clearly positioned as a CSR brand, as evidenced by the CSR press (CSRThailand, 2011) and revealed in a review of the company web sites and annual reports of all three brands. In brief, these three brands clearly comprise a continuum in terms of CSR emphasis, with the corporate ability (CA) focused AIS at one end, and the CSR brand DTAC at the other. Lastly, mobile phone service providers represent an active business sector with respect to CSR, illustrated by the fact that AIS and DTAC have been ranked among the top 20 companies in Thailand in the Asian Sustainability Ratings (ASR) of 2008 and 2009 (CSRAsia, 2010). Here, all three brands have CSR practices in place that reflect current societal and cultural expectations, and incorporate CSR information into their various corporate communications (Jamonmarn, 2008) However, as one of the problems in undertaking this study has been a lack of information about the CSR items adopted by Thai mobile phone service providers, initial exploratory research which used focus group interviews have been undertaken to determine CSR measurements suited to testing Thai mobile phone service providers. The verification of suitable CSR measurement items is then used for conducting the substantive research and analysis phase.

Figure 1. Du et al. (2007) conceptual framework



METHODOLOGY

Measures

The main items included in the survey were drawn from Du et al. (2007). The questionnaire included six sections: (1) consumers of a brand; (2) consequences of CSR beliefs (loyalty, advocacy and consumer-company (C-C) identification); (3) corporate associations (corporate ability (CA) beliefs and CSR beliefs); (4) determinants of CSR beliefs (CSR awareness, CSR support and media channels of CSR awareness); (5) CSR attributions (intrinsic and extrinsic); and (6) consumer's

background characteristics. All items were measured using a five-point Likert-type scale (1= strongly disagree; 5= strongly agree). The resulting questionnaire was pilot tested with two groups, one of two research experts and the other of 30 respondents from the sample group. This questionnaire was first developed in English, then translated into Thai and back-translated into English with a bilingual expert checking for accuracy and parallel meaning.

Using the reduced dataset (n=184), the study validated multi-items measures by gauging the corrected-item-total correlation scales for Advocacy, CA beliefs and CSR beliefs. The corrected-item-total correlations of those scales showed no negative correlation. This result indicated scales that had the discriminating power to elicit items accurately. Furthermore, Cronbach's alpha values for Advocacy, CA beliefs and CSR beliefs in this study showed good internal consistency at 0.734, 0.809 and 0.851, respectively. However, as the Pearson correlation coefficient (r) of the present study was 0.721, the two measurement items of CSR beliefs measured the same underlying construct.

Common method variance was also applied to assess the construct validity of research data. (Podsakoff, MacKenzie, Lee, & Podsakoff, 2003). Due to the antecedents and consequences of CSR beliefs, data were collected from the same sample using similar types of response scales (Likert scales). As this could be a problem, in addition to using reliable and valid measures, Harman's single-factor test was used to check measurement errors. In applying Harman's single-factor test, all items were loaded into Exploratory Factor Analysis (EFA) in order to examine the un-rotated factor solution to determine the number of factors necessary to account for variance in the variables. Common-method variance checking found that the unrotated factor solution was eleven factors with eigen values greater than one. This accounted for 72.709% of the total variance, with the first factor accounting for 20.947% of total variance. This means that there was no general factor in the unrotated structure, suggesting that the common-method variance was not of great concern.

Sample and Data Collection

The principal method used to collect data was an adaptation of the questionnaire used by Du et al (2007), distributed via a mall intercept survey. Quota sampling was applied to control the categories of population elements, with convenience sampling used to select the sample population. Self-administered questionnaires were used to collect responses from 250 Thai mobile phone service provider consumers at three main metropolitan areas in Bangkok, Thailand. From the overall sample (n=250), respondents who chose 'NA' (Not Aware) on measures of CSR awareness and CSR beliefs (n=60), and who had missing values on the key variables (n=6) were excluded. As a result, the total number of respondents was184.

Data Analysis

Data were analyzed using a t-test and logistic regression analysis with SPSS and Multiple Regression Analysis (MRA) using an R package. The paired-samples t-test showed that assumptions of normality and normality of difference mean scores were not violated after outputting and visually inspecting the Normal Probability Plot (P-P plot). Furthermore, the independent-sample t-test showed that Levene's test was non-significant, indicating that equal variances could be assumed. Predictors and moderator variables of MRA were centered before formulating the product terms

and regression equations to maximize interpretability and minimize problems of multicollinearity (Aiken & West, 1991; Cohen, Cohen, West, & Aiken, 2003). These problems were inspected using Tolerance and VIF. As the tolerance range from 0.412 to 0.994 was well above the critical value of 0.10, and the VIF range from 1.006 to 2.425 was below the critical value of 10 was indicated (Hair, Black, Babin, & Anderson, 2010).The regression models from Du et al. 2007was estimated, and model fit structures were found to be adequate in all cases. P-P plot and scatterplot indicated that the fitted model was safe to interpret. The multiple regression models were analyzed using both hierarchical regression and forced entry methods, with both yielding the same results.

FINDINGS

The main findings of this study suggest that the moderating effects of competitive positioning influence the determinants and consequences of Thai consumers' CSR beliefs. However, competitive positioning does not moderate the consequences in terms of loyalty. This may suggest that Thai consumers' perceptions of philanthropic corporate behavior are not determinants in consumer relationships (e.g. loyalty) because they are more conditioned by quality of service, perceived price, and brand preference of specific company.

The moderating role of CSR attributions (a company's motive in engaging in CSR) in the relationships between consumers' CSR awareness and CSR beliefs, and relationships between consumers' CSR awareness and attributions and corporate ability (CA) beliefs (expertise in producing and delivering services), are not stronger for a CSR brand than its competitors in Thailand. This may suggest that Thai consumer perceptions of the motives for engaging in CSR of the three Thai mobile phone service providers (e.g. DTAC, AIS and True Move) show no differences. There is the possibility that Thai consumers may hold intuitive beliefs that CSR is primarily motivated by company self-serving rather than for the benefit of society. In addition, Thai consumer perceptions of a CSR brand are not significant in determining consumer CA beliefs because these are more conditioned by the commercial aspects which spill-over into their assessments of value of promotion or quality of service, rather than perceptions of being socially responsible. Although this study has only partially confirmed Du et al.'s (2007) conceptual framework, it extends the applicability of brand-specific differences in the determinants of consumers' CSR beliefs to Thai consumers.

Comparative results of the findings of this study with Du et al.'s (2007) findings show that both investigations confirm brand-specific differences in the determinants of consumers' CSR beliefs, and (in Thailand) partially confirm Du et al.'s brand-specific differences in the consequences of consumers' CSR beliefs. However, in the case of the moderating role of CSR attributions in CSR awareness-CSR beliefs relationships and relationships between consumers' CSR awareness and attributions and CA beliefs, were not confirmed in Thailand.

There appears to be three main reasons why Thai consumers behave differently to those in Du et al.'s (2007) study in the United States. One difference is the attitude-behavior gap - the gap between the positive attitude of consumers and their actual purchase behavior (Boulstridge & Carrigan, 2000). Another difference was the sceptical in Thai consumer views of corporate motivations for supporting social initiatives, perceiving that companies treat CSR as a cosmetic, public relations exercise, with some spending more on CSR advertising than on actual initiatives. The last important

reason is the possible existence of cross-cultural differences in perceptions and positioning related to CSR.

This study provide a valuable basis for further investigation into the moderating effect of competitive positioning on the determinants and consequences of consumers' CSR beliefs, particularly in the context of developing country. This study has extended the theoretical understanding of CSR positioning and its strategic benefits in developed countries to include developing countries. The findings of this study can be implemented in brand or company positioning on CSR as well as in communicating their CSR initiatives to create differential advantages and maximize business returns.

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Stakeholder Issues & Theory

CONFERENCE THEME: "Reclaiming the Societal Dimension"

VOICES OF THE NEGLECTED SOCIETY: DO THEY NEED TO BE ENTERTAINED OR IGNORED?

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Paula O'Kane

Abstract: This study focuses on the transitional living experience of the partners of international Doctoral of Philosophy (PhD) students. This population has received very little research attention despite the prevalence of international education, and it is particularly relevant because these trailing partners often experience the double whammy of significant status change from worker to homemaker coupled with landing in a foreign culture. Qualitative interviews with 30 international PhD student couples (60 people) identified three core cross-cultural challenges: situational living hardships, multiple roles demand and mid-career switch. Trailing partners need living, employment and academic support to enhance their transitional living experience. Thus, the study provokes the urgency for relevant stakeholders to proactively assist them to enjoy a pleasant and successful settling-in experience abroad.

Keywords: dual-career couples' overseas relocation; trailing partner; cross-cultural adaptation

LITERATURE REVIEW

A trailing partner is defined as a spouse whose partner's intention to live abroad obliged them to follow and usually devote themselves to the family (Orrenius & Zavodny, 2007). Research on trailing partners during transnational family relocation has mainly explored those who undertook international assignments such as expatriates (Mäkelä, Känsälä and Suutari, 2011); sought jobs overseas which is self-initiated and commonly found among the migrants (Cooke, 2007); and refugees who migrated due to political conflicts or for survival purposes (Morantz, Rousseau, & Heymann, 2012). Unfortunately, less focus has been placed on student family relocation. In the international education context, the majority of studies discussed the adjustment process of undergraduate students (Liu & Winder, 2014; Snoubar & Celik, 2013), but the phenomenon of trailing spouses within dual-career couples who temporarily derail their personal careers in favour of their partners' aspiration to further their postgraduate studies abroad remains practically unknown. Trailing partners to international postgraduate students have long been labelled as the neglected society with practically no record of their existence in university communities (De Verthelyi, 1995). Past research on this targeted group analysed their overseas adaptation experience primarily among the female trailing partners who were either homemakers or with careers (Cho, Lee, & Jezewski, 2005; Yeh, 2001). On the contrary, this study looks at males and females, as well as dual career couples.

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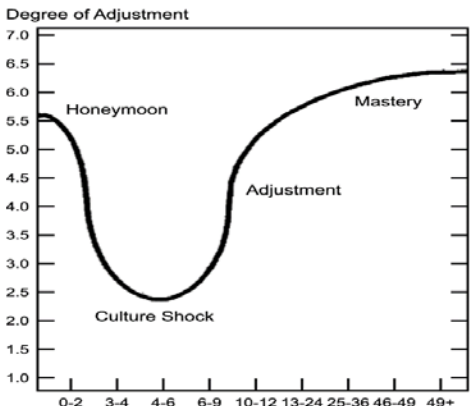
Once overseas, the most common difficulty that individuals encounter is the cross-cultural adjustment. Coming from a homogenous cultural background and trying to assimilate into a heterogeneous group of people from a diverse socio-cultural upbringing will undeniably cause great agitation. The "U-Curve of Cross-Cultural Adjustment Model" introduced by Lysgaard (1955) (refer to Figure 1) explains the general overview of an individual's cross-cultural adaptation phases: honeymoon, cultural shock, adjustment and mastery (Black & Mendenhall, 1991).

Figure 1. The U-Curve of Cross-Cultural Adjustment Model



Source: Black & Mendenhall (1991)

In the "honeymoon phase," the new environment typically mesmerizes individuals upon arriving in the host country. The excitement may be short-lived when the individuals begin to experience frustration a few weeks later and requires them to go through the very depressing "culture shock phase". Common stressors identified in past studies include issues such as change of lifestyle, economic constraints, and homesickness, juggling with household chores and child rearing, racism and language barriers (Yeh, 2001; Cooke, 2007). Nevertheless, with time, they learn to adapt to the new surroundings upon entering the "adjustment phase" where they become more relaxed and engage better with the host environment from this stage onwards. Finally, after about two years, they will reach the "mastery phase" where they are able to function independently and effectively with the local community. Based on this model, the present study investigates the settling-in experience of the trailing partners of dual-career couples who opted to temporarily derail their personal careers in favour of the partners' aspiration of furthering studies abroad.

Job-relocations abroad are often based on selections and orders from the employers where at least one partner of a couple has job continuity (Riusala & Suutari, 2000). These workplaces often provide support to employees who are assigned international tasks, and assistance is extended to their accompanying families as well, which include providing accommodation and English lessons (Cho, Hutchings, & Marchant, 2013). Some expatriates receive education subsidy and travelling allowance for family from the employers in host country (Kim & Han, 2014). Mäkelä, Känsälä, and Suutari (2011) and Harvey and Wiese (1998) recommended several ways for expatriates to accommodate their dual-career trailing spouses. Spouses' needs should be taken into consideration in training and preparation for overseas relocation to elicit positive impacts on the whole expatriation experience. Corporate programmes could offer professional assistance involving career counselling, work

permits and job hunting. If their families were to remain in the home country, companies may subsidize travel and communication costs and offer flexible working hours to support the dual-career couples who did not join their partners overseas. In terms of study-related relocation, fully paid course fees, guaranteed employment upon graduation and study leaves are among the limited types of support provided by employers to encourage their employees' academic aspiration, particularly for those who worked in the public sector (Abdullah, 2011). All employer-based supports are typically designed to allow employees to maintain and develop their knowledge and skills in their respective areas of expertise, relevant to their current duties. However, the availability of employer-based support for the private sector's employees is relatively unknown. Therefore, further research is warranted to comprehensively overcome the dilemma faced by public and private sector employees towards a smooth and successful settling-in experience overseas, particularly for the trailing partners to the international postgraduate students.

OBJECTIVE AND SCOPE OF THE RESEARCH

The objective of this paper is to examine the cross-cultural adjustment challenges faced by the trailing partners of international PhD students who live abroad. It then classifies the types of transitional supports needed to enhance their overseas living experience. This paper aims to answer two research questions to understand this neglected subpopulation and their adjustment experience, in justifying whether the relevant stakeholders should consider their needs:

i) What are the challenges faced by the trailing partners to international PhD student couples due to their status change from dual-career couples to student couples?
ii) What types of support are needed by the trailing partners to international PhD students to have a smooth settlement experience and a productive career break?

METHODOLOGY

Qualitative studies allow researchers to uncover the richer detail of real life experiences. This is particularly important for this exploratory study on the trailing partners' transitional living experience abroad. It examined students who are pursuing PhD degrees at all eight New Zealand universities, together with their trailing partners. The niche of this study, the experience of the trailing partners, was explored at the dyad level by obtaining views from both partners instead of the single partner perspective largely adopted by previous scholars (Cho et al., 2005, Yeh, 2011).The sample was limited to couples who had both worked prior to coming to New Zealand and have been resident for at least 10 months. The 10 months of stay was crucial to ensure couples had at least entered the "adjustment phase" (refer Figure 1). In alliance with the 10 months of stay criterion, international PhD couples were chosen as samples for the study because normally, universities in New Zealand offer three to four years of full-time PhD programs while other full-time postgraduate degrees such as Honours, Postgraduate Diplomas and Masters generally require 12 months of study duration, hence restraining their inclusion.

Couples were recruited through a purposeful sampling strategy in conjunction with the New Zealand Universities' International Students' Office and postgraduate student social groups. International PhD students were invited through their universities' email or from postgraduate students' social group Facebook postings (Olson, 2011). Both means were identified as the most effective way to contact their trailing partners. Furthermore, snowball sampling (Creswell, 2013) was

used to recruit via referrals from couples contacted or interviewed for the study. This study used face-to-face semi-structured personal interviews (Olson, 2011). Each partner was interviewed separately, starting with the student and followed by the trailing partner, usually on the same day. Interviews were audio recorded and analysed using grounded theory (Strauss & Corbin, 1998) techniques assisted by QSR NVivo Software (Creswell, 2013) to identify the key emergent concepts that describe the overall trailing partners' transitional living experience overseas. Respondents were identifiable via pseudonyms to ensure privacy and confidentiality.

Thirty couples aged between 27 to 52 years old from six New Zealand universities participated in the study, representing 15 and 18 countries for students and partners respectively from the five continents. Majority of the informants originated from Asia (19 couples, 63.3%) followed by North America (5 couples, 16.7%), Europe (3 couples, 10.0%), South America (2 couples, 6.7%) and Africa (1 couple, 3.3%). With all couples being heterosexuals, the gender distribution of the students and trailing partners is equal between males and females. Seven of the 30 couples (23.3%) were both students. Twenty-two couples (73.3%) travelled with children. Twenty students (66.7%) worked in the public sector and ten (33.3%) in the private sector. Whereas 15 trailing partners (50%) worked in the public sector, 13 (43.3%) in the private sector and two (6.7%) were self-employed.

FINDINGS

Trailing partners as the neglected society

The presence of trailing partners of the international PhD students is practically unnoticed by anyone. They were somewhat regarded as the neglected society especially within the university community, hence invariably forcing them to settle independently. Majority of the couples confided that the trailing partners' settlement needs were left unattended, particularly in getting assistance to find jobs, to further their study with discounted fees or to join the universities' activities with their studying partners. On the contrary, the studying partners enjoyed an array of support to facilitate their studies while enjoying their stay overseas. Jaidev (male trailing partner, India) expressed the trailing partners' disappointment on the universities' unwelcoming treatment: "They [the university] do not worry about the extended family. They just want to worry about the students. They need money to run the university..." All these made the trailing partners felt that their presence is unwelcomed by the community.

The adjustment challenges

Trailing partners' transitional experience was dominated by three major adjustment challenges: (i) situational hardships, (ii) multiple roles demand and (iii) mid-career switch. Situational hardships depict the trailing partners' adjustment challenges to the new environment while the multiple roles demand describe the pressures faced in managing the study-work-family domains and the mid-career switch portrays their career implications.

<u>Situational hardships</u>

The trailing partners' settling-in experience was hampered by perception discrepancies and unrealised expectations, particularly, when smothered with biased information about the new place

through internet readings, books and information packages. Typically the sources only showcase the best aspects of the country and once reality hits, trailing partners realised that numerous aspects of life in the host country were beyond their imagination. Trailing partners expressed difficulties in dealing with culture and non-culture distance issues. Culture distance was caused by dissimilarities in the new way of life, food and language. Most of the trailing partners raised the challenges faced to broaden their social horizons with the locals, perceiving the Kiwis (New Zealanders) as individualistic and demanding in terms of their private space. Food was more expensive hence necessitated them to cook more often instead of dining out. Those from Western and English-speaking countries admitted that it was tough to understand the Kiwis due to their fast and distinctive accents. Lanh (male student, Vietnam) recalled confusion he experienced to differentiate the pronunciation of letters 'A' and 'E', "Once… I took my kid to kindy and they asked for 'a spare hat'. I thought they meant, 'a spear hat'. You know, a weapon, but what they meant was 'a spare hat'. The tension felt by the trailing partners in relation to the non-culture distance happened due to the new and different surroundings. They were generally rattled and dismayed with the expensive rental rates, poor housing conditions, drastic weather changes and the harrowingly awful earthquakes. Subsequently, the transitional living pressures made them feel homesick, missing their families, friends, local weather and habitual routines back home.

Another common trigger for the couples' living hardship was tight financial constraints. Most student couples depended solely on scholarships to survive. Trailing partners usually had to opt either for an unpaid leave or resign in order to go abroad. However, student scholarships are insufficient to cover the cost of living even for the students' own basic needs, and the challenge was far greater for those who with dependents. Hence, the trailing partners' adaptation trials focused primarily on personal disorientation with the new surroundings that rose out of perception discrepancy, culture and non-culture distance, homesickness and financial constraints that contributed to the challenging settling-in process.

Multiple roles demand

Dual-career family structure has different family arrangement compared to the traditional role of wives as the homemakers and husbands as the breadwinners. Couples have busy schedules that demand exhaustive coordination between the two domains hence often need assistance from extended family members or house helpers to manage the household and childcare duties prior to the transition to student lives. The transformation in family dynamics from an interdependent (depending on others to manage family affairs) to an independent (taking care of family matters themselves) couple when relocating abroad intrinsically affected their roles and identities. They needed to survive on their own when entering and fitting into the new environment with relatively minimal assistance from others.

Most students admitted that PhD is a stressful and intensive study program that confined them to devote to study life fully and to spend most of their time on campus, including during weekends and holidays. The home responsibilities and child rearing duties had to be delegated to their trailing partners, irrespective of gender. Marco (male student, Mexico) shared his wife's anxiety when she needed to cook for herself, "At the beginning, she was confused, didn't know what to cook or was frustrated in thinking what to prepare everyday..." Furthermore, due to financial constraints, trailing partners often had to assume the additional role as breadwinners. If both partners were students

with children, they faced the toughest challenge to execute multiple roles as students and parents which were very time consuming and energy sapping, frequently and easily ending up in role conflicts. Trailing partners had to juggle between student-work-family domains. Such a hectic lifestyle hindered them from enjoying leisure activities, thus leaving them with rather sedentary and mundane lifestyle.

Mid-career switch

Many trailing partners struggled to secure even low-skilled jobs due to external and internal reasons. External reasons relate to the driving forces within the host country that limit their employment opportunities. The host country's norms restricted them from having equal opportunities to secure equivalent jobs relevant to their qualification and work experience despite having valid work visas. Local recruitment processes are largely based on recommendations. Trailing partners felt that local employers practised selective recruitment by preferring to employ locals as opposed to foreigners, even for menial jobs. It was echoed when few employers requested somewhat irrational employment requirements that were virtually impossible for newcomers to fulfill, such as having relevant work experience in the host country and possessing permanent resident status. As foreigners, trailing partners had to undergo lengthy and costly job application procedures to apply for certain professions such as teachers and pharmacists. Their education credentials and work experiences must be assessed before they are eligible to be employed. The bureaucratic and expensive process restrained many trailing partners from applying for preferred positions. Geographical location as to where the trailing partners lived also impacted their employment opportunities. Few of them had a tough time to find jobs in small cities due to restricted job market compared to bigger cities where the economy is more vibrant with greater job openings, possibly due to land conversation and observation activities that are more concentrated in outskirt areas. The dynamics of economy in smaller cities are more restricted, thus limiting job opportunities. Therefore, living in economically less vibrant cities restricted a few trailing partners who had specific work expertise from finding suitable jobs.

Various internal factors also influenced the trailing partners; the most common being to fulfil their parenting responsibilities. A few female trailing partners chose not to work because of pregnancy or to be fully immersed in motherhood duties. In addition, parenting responsibilities obliged a few male trailing partners to stay home and carry out their fatherhood roles as well, especially if they have new born babies, as their studying wives have busy study schedules. If both partners are PhD students, time and energy constraints in juggling between study and family domains prevented them from seeking employment. Apart from parenting responsibilities, a few trailing partners were choosy job seekers, aiming to only get positions that are equivalent to their qualifications. In some instances, the necessity for trailing partners to work is optional for couples who had sufficient means to live on in the host country.

Trailing partners, particularly the men, described their joblessness as daunting and grew emotionally distressed for their inability to be family breadwinners. Moreover, those in the working age group found it hard to accept the reality of being unemployed and not financially independent when depending on their partners' scholarships. Varisha (female trailing partner, Iran) voiced her frustration: "It's hard at this age if you can't earn enough money. Not an easy thing to accept. You want your own job, to work, earn money and pay for whatever you like". Moreover, a few trailing

partners worried if they would lose their work expertise if they remain unemployed throughout their stay abroad. On the contrary, trailing partners who managed to find jobs had certain issues that affected their job satisfaction. They complained about the different work environment and resented for not being able to advance their careers in an equivalent field. Overall, issues on mid-career switch among the trailing partners disturbed their settling-in experience abroad.

The trials and tribulations of shifting lives in a foreign land that relate to situational hardships, multiple roles demand and mid-career switch could be somewhat mitigated by sufficient transitional support. This study therefore explored the trailing partners' basic needs to enhance their living experience abroad which could be offered by the universities, funding organizations, employers of the home and host countries as well as government and private sectors of the home and host countries.

Trailing partner's need analysis

The study suggests three transitional support mechanisms to accelerate the settling-in process of trailing partners: (i) living-based support, (ii) employment-based support, and (iii) academic-based support. Before any of them could be provided, all relevant stakeholders need to recognize the significance of their existence in the community as Nazri (male trailing partner, Malaysia) commented, "The university needs to recognize that the PhD student has a family. Then, they can revise a plan or a program on how to support these people. So, before they recognize that, there's nothing to be talked about." Therefore, the ability of all vested parties to acknowledge the presence of the trailing partners is the initial key to spark their motivations to offer the required transitional living supports for their living, employment and academic needs.

Living-based support

Living-based support is largely needed in five main areas: settlement, financial, childcare, health and social. Settlement support is assistance that could be provided by the university community to the trailing partners during their initial arrival, which includes showing more welcoming gestures. The universities could create "Buddy Programs" to assign more experienced students' trailing partners to help the newcomers familiarise with the surroundings, akin to the assistance offered to the international students during the orientation week. As for financial support, trailing partners wished the funding organizations could consider revising the students' scholarships with additional allowances for trailing partners to improve their standards of living. Perhaps, employers in the home country could offer a token moving allowance to their employees who became students or trailing partners abroad. Trailing partners, who are still paying instalments for some liabilities in their home country (for example credit cards and car loans) throughout their stay abroad proposed the loan agencies to introduce a loan repayment suspension scheme to temporarily abstain from making payments while they were abroad. Couples with two studying partners or one working trailing partner and have babies or pre-school children are keen to acquire affordable childcare services within campus.

Another essential living support for the trailing partners is related to health. Many hoped the universities or funding organizations could include them into their studying partners' insurance coverage. They would be highly appreciative if the university's student health centre could extend its

services to the students' trailing partners as well. Socially, trailing partners expected the universities and local communities to engage them into the larger population via social groups or university activities. For example the universities could organize get-together sessions, visits and gatherings so that the trailing partners could feel a sense of belonging to the community. Besides that, programs could be created where trailing partners could share their expertise and interests with others or engage in on-campus events. Kwame (male student, Zambia) suggested, "I think it would be good if they [funding organization] get us [international student couples] together to get to know each other [trailing partners]. Sometimes it can be very lonely unlike back home where you know your neighbours and can visit them anytime. It's a great thing to get us together, maybe once in three months." Generally, living-based support is much anticipated by the trailing partners to allow them to live more comfortably abroad.

Employment-based support

Trailing partners who were previously employed with private companies often chose to resign to accompany their studying partners abroad. They would like to have job security from the former employer, similar to employment privileges that were provided to staff that were sent to work overseas and those working in the public sector. Unpaid leave is most favoured to help balance their work and family commitments. Alternatively, the employer could offer flexible work arrangement by letting them work in the host country via tele-work or attached to the organization's overseas branch. Carter (male trailing partner, Canada) acclaimed, "I try to work a little bit from here for Concordia [former workplace] when I first got here. But my old boss couldn't get his head around that... I once updated the website from the bathroom of our hotel room in London. Obviously I could have done my job from anywhere right? And most of our internal clients back home, I met them once and then I did the website. I talked to them via email and sent the links to the server. Wouldn't it be nice if I could have kept that job?" If all of the options are deemed impossible, the former employers could consider granting them priority to be re-employed after they return.

In terms of job hunting in the host country, student couples believed restricted employment opportunities could be resolved with intervention from the university by setting up an employment hub to facilitate job searches and play a role in providing advice and information related to the local employment norms and procedures to the trailing partners. Thus, the service would be valuable for the trailing partners to advance their career in relevant fields. Furthermore, employers of the host country could also offer employment-based support. Trailing partners who had the opportunity to gain employment in the host country suggested the employers to expedite the assimilation of their foreign employees into the local work environment by issuing a work culture manual as reference with tips on the "Do's and Don'ts" with regards to working with the locals. Additionally, employers could also give them opportunities to attend courses that are relevant to their current job scope that can further enhance their knowledge and skills. Generally, trailing partners have high expectations that employers of the home and host country, as well as the university can accommodate their employment needs during their career break abroad. Employment-based support helps to add to the family income, lessen the financial burden and maintain their career development.

Academic-based support

Many trailing partners were shackled by budget limitations and the expensive study fees hindered them from enrolling into courses. Therefore, couples suggested employers (of the studying or trailing partner) to grant scholarships or study loans to the trailing partners to enable them to have a more productive stay throughout their career break, which may be advantageous to their own employment too. Tien (female trailing partner, Vietnam) proposed, "I just wish they [employer] can give money for me to study... like a scholarship or paid tuition fee". Moreover, the university could design a Spouse/Partner Education Program to help with the life transition. Couples suggested the universities to consider offering fee waivers and discount privileges to the trailing partners for academic enrolment or to attend relevant courses. Thus, academic-based support offerings could allow trailing partners to enjoy a favourable learning environment. Not only is the university suitable for the studying partner, it also could holistically fulfil the needs of their partners who are interested to seek academic advancement opportunities.

In summary, living, employment and academic-based supports are central to create a rewarding transitional living experience abroad for trailing partners but all that demand proactive acknowledgement from various vested entities which include the universities, funding organizations, employers of the home and host countries as well as the government and private sectors of the home and host countries.

DISCUSSION

In the international education setting, students' trailing partners are regarded as the neglected society, receiving minimal attention from the university or local community of the host country; similar to what was experienced by the trailing partners involved in other context of overseas relocation (Cooke, 2007). Nonetheless, students' trailing partners were far more disadvantaged during their settling-in process, particularly when compared to those who moved because their partners were selected and ordered to undertake international assignments. In job-related relocation, at least one partner of a couple has job continuity and receives attractive remunerative packages that enable them to attain a fairly stable living (Riusala & Suutari, 2000). Their trailing partners usually enjoyed a wide range of settlement support from the employers from home and host countries that was also extended to their accompanying family members encompassing provision of accommodation and travelling allowance (Cho, Hutchings, & Marchant, 2013; Kim & Han, 2014). In the absence of support from the local community, the assistance granted by the employers was sufficient to start a new life in a foreign country.

Student couples' decision to move abroad was commonly based on their own choice and commonly received very limited assistance from their former employers. Couples who worked in the public sector were at least happy with the paid or unpaid leave entitlement. However, for those in the private sector, they may have to resign from their employment in order to go abroad for study-related purposes. Thus, constraints in obtaining moving and settlement support from former employers and universities rattled their settling-in process since they had to plan and manage everything independently. Additionally, as dual-career couples who transformed to be student couples, they found themselves in a situation of reduced household earnings, predominantly

dependent on the student's scholarship to survive, thus inevitably ending up in financial dilemma and instability. The pressure was even greater if they travelled with children.

Furthermore, students' trailing partners were fundamentally overlooked within the university community where their needs to find jobs, to further their study with discounted fees or to join the university activities were left unrecognized. It would be fair to believe that trailing partners to the international students experienced greater woes compared to those in job-related relocations due to grossly inadequate aid for settlement.

In adjusting to the new place, the students' trailing partners were also seemingly jointly trapped with transitional living challenges. They faced relatively similar adaptation trials and tribulations to the trailing partners who were on job-related relocation. Noticeably, they suffered from culture and non-culture shocks in situational hardships due to dissimilarities and gaps in several aspects of living between their home and host country, such as language and weather conditions (Cho, Hutching, & Marchant, 2013). The shift from being dual-career couples to student couples is further complicated when the trailing partners were forced to be inundated with household and childcare duties or work to earn additional family income so that while their partners can remain focused on their studies. This study enlightened that gender did not restrain trailing partners from performing multiple roles simultaneously, particularly for the males to hold a rather unfamiliar status as "househusbands." To the trailing partners, it is not an issue of who family breadwinner is. Eventually both male and female trailing partners managed to carry out the routine duties independently, though it was hard at the beginning. All tasks were exchangeable and transferable between genders and that catalysed the couples' dynamics throughout their living experience abroad. In terms of employment opportunities, trailing partners in the international education context struggled in job hunting due to external and internal factors necessitating them to switch career preferences. Many of them only managed to secure low-skilled jobs with cheap wages or were forced to remain jobless, which echoes the experience of trailing partners in job-related relocation (Cooke, 2007). Moreover, as dual-career couples, the inspiration to have self and career development appeared to be more intense as compared to female trailing partners who were predominantly the homemakers. Indeed, it was tough for trailing partners in the active working age group to be unemployed or to work in seemingly irrelevant fields, which greatly jeopardized their future employment prospects.

The adjustment challenges could be reduced with the provision of support mechanism from various entities. The needs of students' trailing partners might be different from the trailing partners to those who accepted overseas assignments, thereby requiring specific tailored services to be offered as assistance. The students' trailing partners could accelerate their settling-in process if they received aid with regards to living, employment and academic matters. The universities and funding organizations could adopt similar initiatives to help them as suggested by Mäkelä, Känsälä, & Suutari (2011) and Harvey and Weise (1998) to improve the expatriates' trailing partners settling-in experience that include training and preparation prior to the overseas relocation and granting remedial perks to the expatriates' trailing partners. Additionally, the support mechanism for the students' trailing partners can be extended to the expatriates' trailing partners, particularly if academic-based. Nonetheless before any of them could be implemented, all parties need to recognize the significance of providing support to the trailing partners in any overseas relocation context. Thus, it is timely to acknowledge their presence in the community, helping them to elicit positive impacts on the whole transitional living experience by being empathetic to their needs. After

all, like it or not, the trailing partners are part and parcel of the success of the international students in their studies.

IMPLICATIONS OF THE STUDY

This study enriches and complements existing pool of knowledge on the dual-career family relocation framework, principally in human resource management, international higher education, international family relocation, work-life balance and cross-cultural adjustment literature. The findings revealed that three aspects challenged the transitional living of trailing partners to international PhD students: situational hardships, multiple roles demand and mid-career switch. Transitional support was identified as crucial to facilitate their life transition, essentially during the "culture shock" and "adaptation" phases under the U-Curve of Cross-Cultural Adjustment Model, as illustrated in Figure 1. The government and employers of home and host countries, funding organizations and universities could play catalytic and complimentary roles to assist them to have a successful settling-in experience abroad.

In practice, the findings provoke three key implications. Firstly, the government initiatives to recruit international postgraduate students need to incorporate their specific needs. Trailing partners play a pivotal role as the backbone of their partners' success. Hence, supporting them should therefore indirectly enhance the university's academic reputation internationally, thus creating a more productive society, which socially includes the international students' trailing partners as part of the campus and local communities. Such availability of supports could be marketed as a unique selling factor for universities to lobby prospective international student couples to choose their campus as being suitable for studies that holistically fulfil the needs of their trailing partners as well. Secondly, organizational synergy among the government and employers of the home and host countries, funding organizations and universities within the international education context is vitally important in providing necessary support towards positive transitional living for employees who decide to become trailing partners abroad. Thirdly, it serves as a justified wake-up call for public and private work organizations to formulate a more rounded human resource development and retention strategy to offer supports, similar to what was offered to employees who were transferred abroad and to safeguard their human capital investment by preventing them resign whenever work and family conflict occurs.

CONCLUSION

Given the range of cross-cultural challenges encountered by the trailing partners to the international PhD students, finding effective ways to assist them is essential in making their settling-in process smooth and successful. Stakeholders that include the governments of the host and home country, employers, universities and local communities could play their respective role in addressing related issues. Hopefully, the trailing partners to the international PhD students will no longer be dismissed as the "neglected society"; especially after the family-friendly initiatives are introduced in the academic environment by the relevant stakeholders. Based on the insights gained from the trailing partners in this study, certainly their needs must be fulfilled.

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Environmental Management & Regulation

DISCLOSURE AND ORGANISATIONAL LEARNING IN THE CONTEXT OF ENVIRONMENTAL PERFORMANCE

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Abstract: In this paper we explore the influences on firms' environmental performance within a conceptual framework that draws upon theories of organisational and institutional learning. More specifically, our study investigates companies' changing levels of greenhouse gas emissions over time by controlling for the differentiated options of reporting available to companies. Drawing on CDP corporate emissions data we find that while on average between 2003 and 2012 the carbon emissions levels for our sample of global companies have been falling, this trend is not borne out at individual firm level. Instead, our conclusion has to be there is widespread stagnation in terms of emissions levels and contrary to our second hypothesis, we also do not find evidence of the traditional learning curve effect applying to carbon emissions levels following a firm's first year of reporting.

Keywords: environmental performance; organisational learning; disclosure

INTRODUCTION

Companies remain under sustained pressure to improve their environmental footprints and are thus driven by a range of factors to enhance their environmental sensitivity (e.g., Kock et al., 2012; Kolk and Pinkse, 2005; Reid and Toffel, 2009; Walls et al., 2012; Weinhofer and Hoffmann, 2010).

At the same time, a well-established body of literature argues that the implementation of environmental management systems, strategies and processes leads to improved organisational outcomes, be they financial (Russo and Fouts, 1997; Klassen and McLaughlin, 1996), strategic (Sharma and Verdenburg, 1998) and reputational (Brammer and Pavelin, 2006). A key explanatory variable of these linkages is thought to be the development of capabilities towards organisational learning (Russo and Fouts, 1997; Sharma, 2000). Some empirical evidence by Marcus and Geffen (1998) and Nehrt (1996) indeed supports the notion that organisational learning processes in the context of environmental improvements are vital for developing competitive advantages. Yet despite numerous theoretical frameworks and conceptualisations (Banerjee, 1998; Burstroem von Malmborg, 2002; Kennelly et al., 1999; Neale, 1997; Vesna et al., 2012), there is no conclusive evidence as to the direct impact of organisational learning on environmental performance improvements.

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Apart from government regulation, consumer pressure, social movements and the media, there is also increasing interest from scholars in understanding how the investment community is beginning to shape corporate environmental responses (e.g., Berrone et al., 2010; Ioannou and Serafeim, 2012; Kim and Lyon, 2007; Rehbein et al., 2004; Reid and Toffel, 2009). Within that literature, requests for, and voluntary disclosure of, corporate environmental data and information are particularly growing in academic significance. One example of the many forms of shareholder engagement is the Carbon Disclosure Project, a non-governmental organisation led by a consortium of over 650 institutional investors, with cumulatively over US$78 trillion of assets under investment that seeks improvements into the transparency and management of environmental issues, principally responses to climate change, among leading global companies.

Although our knowledge of the processes involved in encouraging firms to make their environmental and corporate social responsibility efforts more transparent has been increasing, far less is known about the resulting effects of such disclosures on firms generally, and environmental performance more particularly. For instance, given that firms are beginning to provide this information on a more regular basis, are we actually able to witness improvements in social and environmental performance as a result?

In light of these observations, in this study we explore the influences on firms' environmental performance within a conceptual framework that draws upon theories of organisational and institutional learning. More specifically, our study investigates companies' changing levels of greenhouse gas emissions over time by controlling for the differentiated options of reporting available to companies. As a result we emphasise the importance of the learning curve on corporate voluntary disclosures whilst also taking into account first-mover advantages, time-related effects and strategic considerations of responding to evolving stakeholder demands, in this case from the investment community.

In doing so, our research makes three important contributions to the literature. First, we conduct empirical research on the phenomenon of the organisational learning curve in the context of reporting environmental performance. Whilst this concept has been widely tested within the operational management literature, we are unaware of a direct empirical application within the field of environmental management. Second, we provide unique empirical evidence on firms' general behaviour with regard to reducing their greenhouse gas emissions, a crucial and to-date under-examined measure of environmental performance. Third, we contribute to the wider theoretical discussions about the validity of the organisational learning curve as applied to corporate sustainability efforts.

The rest of the paper is structured as follows. In the next section, we introduce our theoretical background and develop our hypotheses. We then describe our methods used and findings. A final discussion section concludes.

ORGANISATIONAL LEARNING IN THE CONTEXT OF ENVIRONMENTAL PERFORMANCE

Scholars developed a strong interest in the concept of organisational learning even before the publication of Peter Senge's seminal work '*The fifth discipline*' (1990) and a significant body of

knowledge has evolved as a result (e.g., Argyris and Schön, 1978, 1996; Dodgson, 1993; Huber, 1991; Fiol and Lyles, 1985; Levitt and March, 1988; March, 1991; Weick, 1991). Organisational learning is defined as "the development of insights, knowledge, and associations between past actions, the effectiveness of those actions, and future actions" (Fiol and Lyles, 1985: 811). In other words, "organizational learning considers that the capacity of the organization to improve the performance based on experience and activity (Dibella et al., 1996; Zollo and Winter, 2002) and thus the organizational learning effect reflects a result of cumulative efforts through working experience or the exchange of technical capacity among employees in the organization" (Chen and Change, 2010: 499).

A number of scholars have integrated the concept of organisational learning in their work on sustainability and corporate social responsibility. From a theoretical perspective Aragon-Correa and Sharma (2003) argue that a proactive environmental strategy is dependent upon organisational processes that are used to develop environmental capabilities towards stakeholder integration, continuous innovation and improvement, and higher-order shared learning. In other words, organisations must employ processes of double-loop learning in order to benefit from proactive environmental responses (Sharma, 2000).

Similarly, other scholars have produced frameworks based on the model of learning to make sense of the activities involved in firms developing and transferring good environmental processes across their organisations (e.g., Kenelly et al., 1999; Neale, 1997) and integrating environmental issues with their business strategies (Banerjee, 1998).

Empirically, Chen and Chang (2010) developed an organisational learning effect model to help explain and analyse municipal solid waste recycling performance in Taiwan. Drawing on the wider institutional learning effects, Marcus and Geffen (1998) longitudinally examined how electricity generation firms acquired pollution prevention competencies as a result of interactions between conflicting institutional (government and market) forces and individual firm capabilities of organizational learning and search for talent and technology. Equally, Nehrt's (1996) study of first movers in pollution prevention in the paper industry suggested that firms develop competitive advantages due to the learning curves generated during periods of increased environmental regulatory complexity. Alternatively, some scholars have also discussed the use of sustainability processes as tools for wider organisational learning, for instance, theoretically in the case of corporate social reporting (Gond and Herrbach, 2006) and empirically, following the adoption of environmental management systems (Burstroem von Malmborg, 2002).

Reporting, organisational learning and environmental performance

The literature surrounding firms' disclosures and reporting of sustainability and CSR related data and information is well developed. Numerous scholars have investigated the drivers, incentives and other determinants of firms disclosing their environmental performance (e.g., Bewley and Li, 2000; Brammer and Pavelin, 2006; Delmas and Montes-Sancho, 2010; Cormier and Magnan, 1999, 2005). Specifically with regard to the disclosure of greenhouse gas emissions, a growing list of governments around the world are now proposing or implementing mandatory legislation. At the same time there are also calls for firms to voluntary disclose their levels of emissions (e.g., Climate Disclosure Standards Board, CERES, Carbon Disclosure Project).

Peters and Romi (2009) list a number of advantages and disadvantages for companies to consider when deciding whether to make a voluntary disclosure of their greenhouse gas emissions or not. Among the disadvantages, the authors cite the lack of an agreed methodology for carbon measurement, a lack of comparability among disclosing firms of such information, the limited attestation process, and organisational confusion following emissions data publication (Peters and Romi, 2009). On the other hand, firms may benefit from publicising their levels of carbon emissions. Key to these benefits is the assumption that a firm's first year of total reported corporate carbon emissions will be identified as its 'baseline' year, which, in case of any future mandatory carbon regulation, should be taken into account by the regulator (Peters and Romi, 2009). Furthermore, the authors believe that firms are able to establish a positive customer reputation by having set a baseline benchmark and to gain competitive advantages by proactively managing their carbon exposures. Firms therefore need to consider a number of issues prior to making a voluntary disclosure

For the purposes of this paper, we believe that these questions have an integral bearing upon the processes of organisational learning around voluntary disclosures, and consequently environmental performance. To demonstrate our position, we argue that there are three defined outcomes of the reporting process and associated learning: i) the firm makes a first voluntary disclosure of its level of GHG; ii) over time (i.e., on an annual basis) the firm gains in confidence that the level of GHG reported more accurately reflects its actual level of emissions; and iii) this allows the firm to begin the process of identifying processes, policies, changes, products and other actions and behaviours that it believes will further reduce absolute/relative emissions over time/until the next reporting period. In other words, the reporting process turns into a learning process which (ideally) leads to (continuous) improvement in environmental performance. We therefore hypothesise that:

H1: Firms making voluntary disclosures improve their corporate environmental performance as a result of organisational learning processes.

H2: Corporate environmental performance improvements follow the traditional 'learning curve'.

METHODS

Sample

The Carbon Disclosure Project (CDP, 2012) is an initiative led by a consortium of over 650 institutional investors, with cumulatively over US$78 trillion of assets under investment that seeks improvements into the transparency and management of environmental issues, principally responses to climate change, among leading global companies. Each year since 2002, the CDP asks the largest companies in the world to complete a series of questionnaires that probe aspects of their greenhouse gas emissions, climate change risks and opportunities, and management strategies in relation to environmental performance. Participation in the CDP's annual survey is voluntary and the levels of participation (by both firms and institutional investors), information disclosure, and the depth of information requested by the CDP have all grown substantially over time. In 2012, the latest year for which data are available, over 80% of the FT Global 500, the largest companies by market capitalization included in the FTSE Global Equity Index Series, participated in the CDP, and in total

over 1,500 companies from around 50 different countries disclosed detailed information regarding their environmental management and performance.

Dependent variable and research approach

Measurement of firms' carbon footprints is a complex and information-intensive process characterised by the presence of multiple approaches and competing evaluation methodologies. Consistent with earlier studies that have drawn upon CDP data, we use the log of the sum of scope 1 and scope 2 emissions to capture a firm's carbon footprint and thus its level of environmental performance in a given year.

Sample selection issues are endemic in studies of environmental reporting, performance, and disclosure because firm characteristics (including size, industry and, most importantly, environmental footprint) shape firms' decisions to participate in environmental initiatives as well as their performance in relation to environmental pollutants. Prior research has demonstrated that typically the best (in the sense of least environmentally impactful) and worst (in the sense of most environmentally impactful) firms are more prone to engage with environmental issues since these companies have either good news to celebrate or legitimacy concerns to address. Our results therefore need to take into account these selection effects when analysing longitudinal changes in environmental performance.

Learning rate

Organizational learning curves were first recorded by Wright (1936) who found that the production time for airplanes appeared to decrease at a predictable rate; a phenomenon which subsequently became known as the learning curve model (Boone and Ganeshan 2001). One issue with this relationship between production and learning is that these statistical consistencies tend to be related to large volumes or at least based on high levels of repetition. In other words, for economies of scale, and learning and experience curves to emerge there needs to be some frequency of production of the same output. The question for our research context is whether the annual collection and dissemination of carbon emissions data amounts to a sufficient level of repeatable, and thus learnable, output in order for learning curves to be exhibited. Additionally, there is also a question over whether such learning curves can be illustrated both at the sample and at the organisational levels.

FINDINGS

In this section we describe the findings from our analysis and begin by examining the sample as a whole. Figure 1 provides an overview of the sample average carbon levels over time both for the US firms alone and all countries combined. Given the variability of the sample constituents and data availability for different years, this graph needs be interpreted with caution. Broadly, though, what we find is that the sample average carbon levels are falling over time between 2003 and 2012.

In the next step of our analysis we examine and compare those firms that have been consistently present throughout our sampling period of 2003-2012 with those that joined at a later stage. This means we study the average levels of greenhouse gas emissions trajectories for firms with data available for all years under observations as well as those that were added at different points in time.

The findings are shown in Figure 2. What we discern from this graph is that the main reason why average emissions across the global survey seem to have fallen is because of non-survivors. In other words, those firms that were present as part of the survey for less than the 2003-2011 period (the late entrants) appear to have on average lower emissions levels. By contrast, "surviving" firms have slightly increased their average emissions over time as the averages from the non-improving survivors outweigh those from the improving survivors.

To illustrate these trends, we explore US survivors only (i.e., US firms that have been consistently reporting between 2003 and 2012) (Figure 3). While we can detect several firms with relatively dynamic emissions trajectories, broadly the overarching indication is one of stagnation in the sense that we cannot identify a strong and consistent downward (and hence improvement) trend.

Finally, to actually test our hypotheses we rearrange our data by aligning firms' longitudinal emissions levels to a common year T (rather than the calendar year) of their first emissions report (Figure 4). What this graph indicates is that following a firm's first year of emissions reporting on average (across the sample and across time) emissions levels increase steeply in the first couple of years before settling on an oscillating but broadly stable level.

Figure 1: Sample average levels of log carbon emissions by year (US data alone and all countries combined)

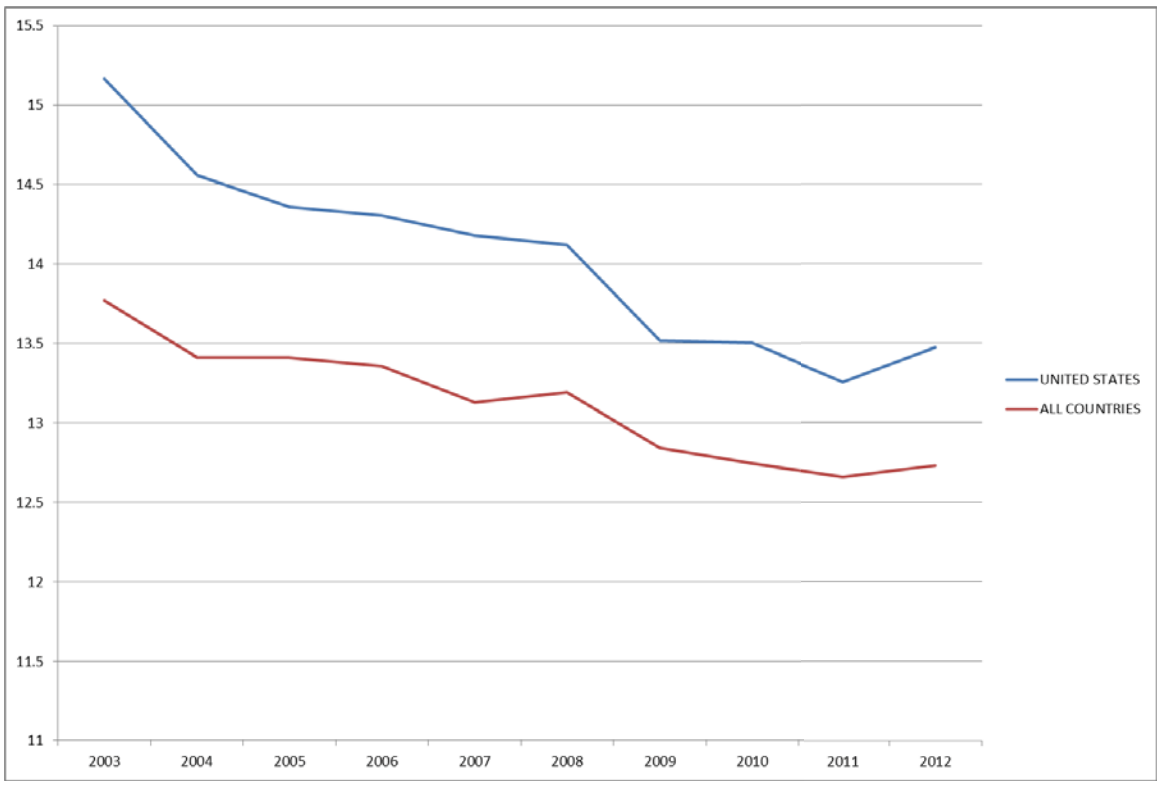


Figure 2: Average emissions levels for "survivors"

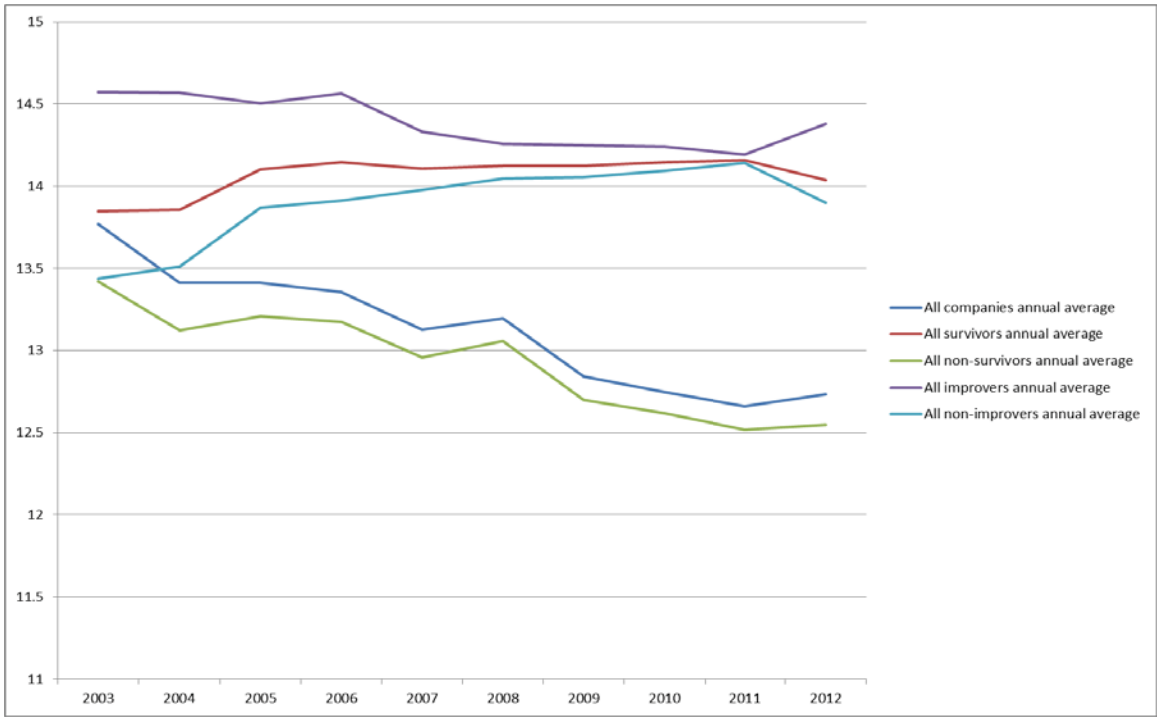


Figure 3: Average log carbon emissions levels for US "survivors" 2003-2011 (y-axis shortened)

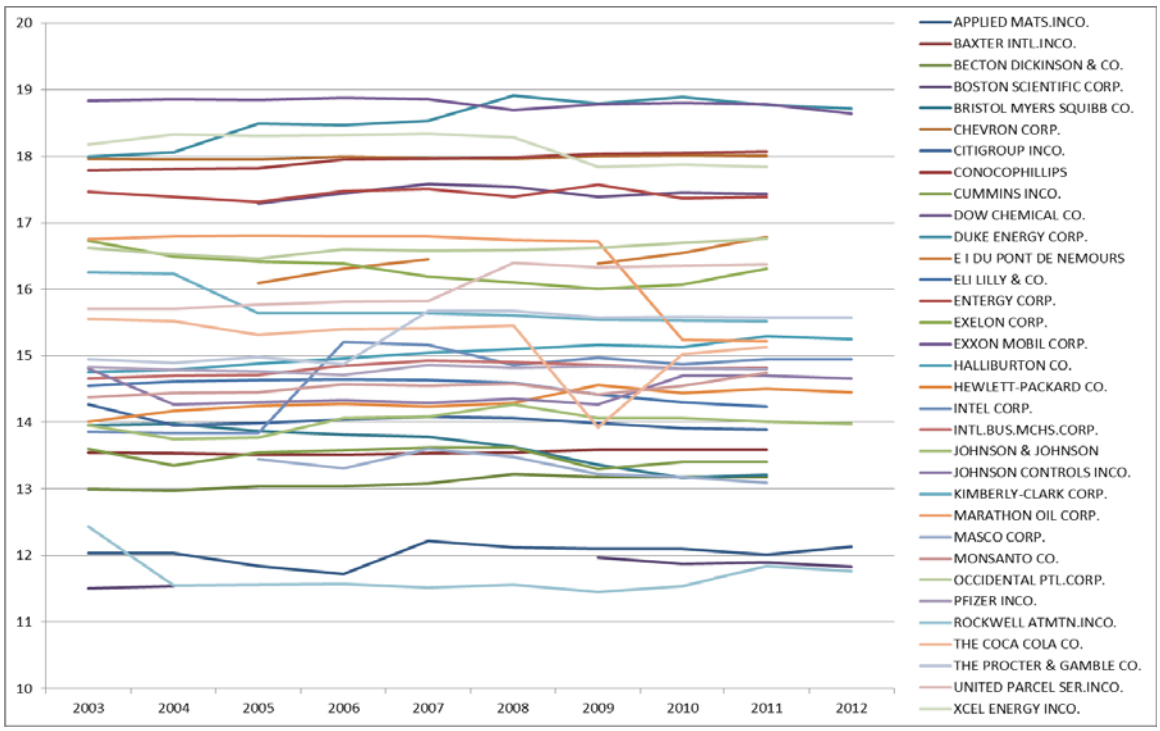
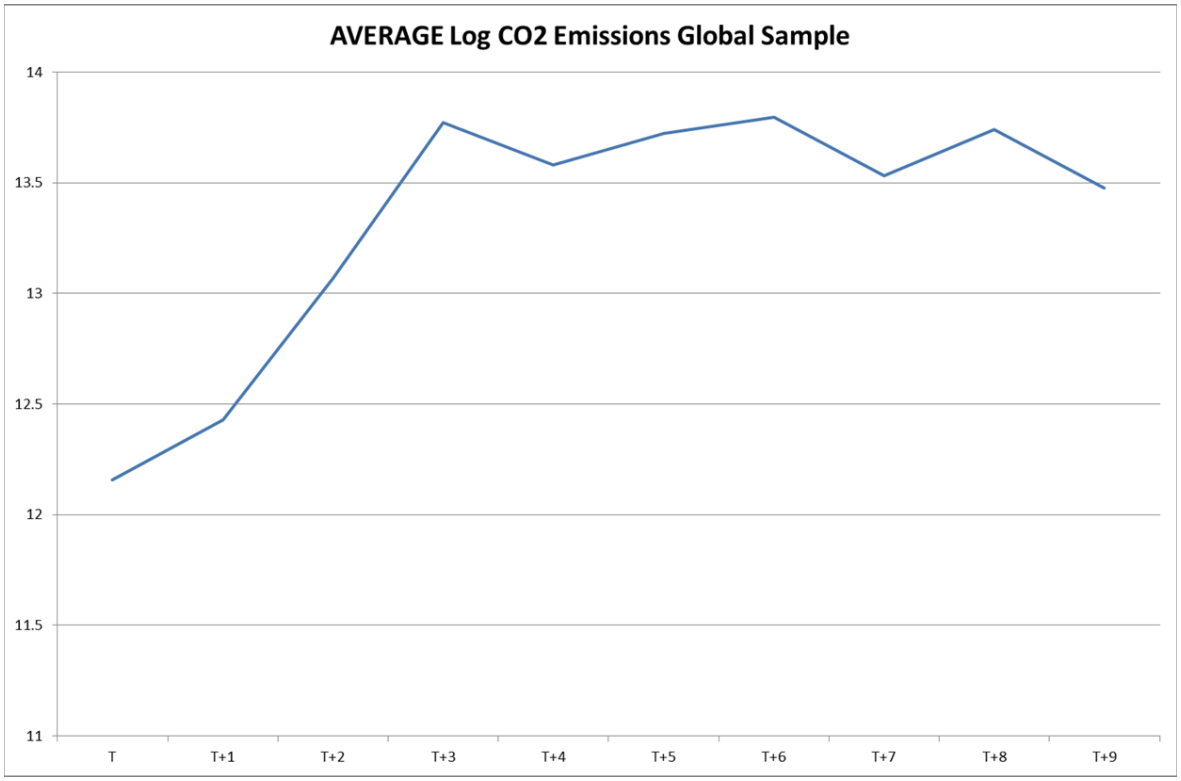


Figure 4: Average log carbon emissions levels following year T



DISCUSSION

Our research has sought to investigate the relationship between organisational learning and firms' environmental performance by studying companies' changing levels of greenhouse gas emissions over time. Our first hypothesis suggested that firms making voluntary emissions disclosures improve their corporate environmental performance as a result of organisational learning processes. Broadly speaking, we find that while on average between 2003 and 2012 the carbon emissions levels for our sample of global companies have been falling, this trend is not borne out at individual firm level. Instead, our conclusion has to be there is widespread stagnation in terms of emissions levels and contrary to our second hypothesis, we also do not find evidence of the traditional learning curve effect applying to carbon emissions levels following a firm's first year of reporting.

Our results need to be interpreted with caution since we do not analyse emissions intensities. In other words, they do not account for corporate growth and therefore future studies should incorporate sales activities into the calculations if possible.

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Environmental Management
& Regulation

FROM LARGE TO SMALL ENVIRONMENTAL REPUTATION ASYMMETRY AND STRATEGIC ALLIANCE PERFORMANCE: A THEORETICAL INVESTIGATION

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Acknowledgements: This paper benefited greatly from the valuable and helpful comments of my thesis advisor, Pierre-Xavier Meschi, and those of five anonymous reviewers of this conference. An earlier version saw improvements thanks to suggestions from Olivier Bertrand, Bruno Cirillo, Ludovic Dibiaggio, and participants at the *Academy of Management 73rd Annual Conference* in Lake Buena Vista, Florida, USA.

Abstract: Strategic alliances between firms with disparate environmental reputations are not uncommon. Yet, the potential implications for alliance performance have received little attention in the research literature. This, despite the growth in firms' dependence on alliances in a business context with increasing environmental sustainability pressures facing them. Building on the well-established notion that reputation asymmetry affects alliance outcomes, this paper theorizes on how going from large to small environmental reputation asymmetry affects alliance performance. The analyses cover effects on key alliance success indicators in three major alliance phases – formation, design, and postformation – while drawing from the natural-resource-based and strategic cognition perspectives. A conceptual model is presented, proposing that environmental reputation asymmetry reduction between the allying firms is inversely related with indicators in each phase. In other words, it proposes that there are positive effects on alliance performance.

Keywords: corporate environmentalism, environmental reputation asymmetry, natural-resource-based view, strategic alliance performance, strategic cognition

INTRODUCTION

Firms differ in their degree of responsiveness to environmental sustainability issues, resulting in different levels of environmental performance and thus environmental reputation (Hart & Dowell, 2011). In the strategic alliance context, reputation asymmetry or gap (Obloj & Capron, 2011) signifies a source of partner asymmetry (Harrigan, 1988) with potential consequences for alliance performance (Ibid., Saxton, 1997). Yet, while firms' dependence on strategic alliances in their quests for competitive advantages (Das & Teng, 1999) has been growing alongside an increasing 'greening' pressure (Hart & Dowell, 2011), implications of firms' environmental conduct for their alliances has received little consideration in the research literature.

At first sight, it may seem unlikely that partnering firms' environmental behavior affects alliance performance – unless the alliance is an environmental collaboration (Wassmer, Paquin, & Sharma, 2012), excluded from this study. However, reputation gaps represent costs as well as benefits for the high- and low-reputation partners (Castellucci & Ertug, 2010; Mayer, 2006; Yu & Lester, 2008), and

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this also applies to *environmental* reputations. Moreover, the corresponding differing environmental performance suggests differing stances towards society embedded in the organizational culture (Banerjee, 2001), and discrepant priorities, temporal orientations (Das, 2006) and goals, which can all influence alliance performance (Chen, Liu, & Hsieh, 2009; Greve, Mitsuhashi, & Baum, 2012). Then again, reputation asymmetry is not a constant. The lower-reputation partner is likely to enhance its reputation over time, due to reputational spillovers and spillovers of the higher-reputation firm's environmental capabilities (Albino, Dangelico, & Pontrandolfo, 2012; Lin, 2012). The higher-reputation firm, on the other hand, risks reputation loss caused by negative spillovers (Yu & Lester, 2008). Whilst extant literature informs us on firm-specific outcomes for the two (or more) partners, it ignores implications for the firms' joint performance at managing the alliance evolution process and increase resource stocks (Lunnan & Haugland, 2008) – here assumed to be the main manifestation of fulfillment of private *and* common strategic goals (Das & Teng, 2000; Ibid.); i.e., strategic alliance performance.

In order to answer this question, we have to look at the benefits and costs for both firms simultaneously. For that reason, this paper discusses both positive (focal firm's reputation>partner firm's reputation) and negative (focal firm's reputation<partner firm's reputation) asymmetry effects. Moreover, the analyses are centered on previously identified key alliance performance indicators (Kale & Singh, 2009). With an aim to provide a fine-grained understanding of these dynamics, all indicators proposed in Kale and Singh's (2009) multi-alliance-phase framework are included – the trade-off being that this paper equally offers theoretical examinations only. Accounting for multiple performance indicators, in several alliance phases, is considered valuable to identify potential conflicting effects on the overall alliance performance (Ray, Barney, & Muhanna, 2004).

Furthermore, given that different types of reputation vary in their outcomes (Dollinger, Golden, & Saxton, 1997), this paper builds on recent research showing how *environmental* reputation asymmetry can influence alliance formation, from both the higher- and lower-reputation partner's perspective – since the underlying mechanisms should have 'snowball effects' into the design and postformation phases (Kale & Singh, 2009; Reuer, Zollo, & Singh, 2002). Consistent with the lenses applied there, this research extends theory by integrating the natural-resource-based (Hart, 1995) and strategic cognition (Schwenk, 1988) perspectives to explain how going from large to small environmental reputation asymmetry affects alliance performance.

These theoretical lenses are both complementary and compatible: (i) the natural-resource-based view (NRBV) of the firm (Hart, 1995; Hart & Dowell, 2011) contends that firms can, through proactive environmental strategies, develop resources and capabilities that are sources of competitive advantage – and that cognitive biases and valuation difficulties cause continuing underinvestment in this area (Berchicci & King, 2007); (ii) the strategic cognition perspective (Narayanan, Zane, & Kemmerer, 2011; Schwenk, 1988) assumes that behavioral biases and interpretative frames "determine which information receives managerial attention and how managers interpret it" (Bundy, Shropshire, & Buchholtz, 2013, p. 356).

The remainder of this paper is organized as follows. In the next section, Kale and Singh's (2009) conceptual representation of the alliance phases (formation, design, and postformation) and its key indicators of alliance success are detailed. Next, prior research on firm-specific reputation asymmetry outcomes in the alliance context is reviewed. Subsequently, this article examines how

going from large to small environmental reputation asymmetry affects the alliance success indicators, and thus alliance performance. Finally, a concluding section discusses the implications of the resulting propositions, and limitations pointing out avenues for future research.

KEY ALLIANCE PERFORMANCE INDICATORS IN THREE ALLIANCE PHASES

Indicators in the Alliance Formation Phase

In the formation phase of strategic alliances "a firm deciding to initiate an alliance selects an appropriate partner" (Kale & Singh, 2009, p. 46); some traits have been highlighted as critical contributors to subsequent alliance performance. Consistent with other studies (Mitsuhashi & Greve, 2009; Shah & Swaminathan, 2008), Kale and Singh (2009) present partner complementarity and partner compatibility as the key formation phase indicators of alliance success. Moreover, it is widely accepted that these "can be defined along a number of dimensions ranging from production assets to firm cultures" (Greve et al., 2012, p. 17). As "firms essentially use alliances to get access to other firm's valuable resources" (Das & Teng, 2000, p. 33), complementarity2 and compatibility on the resource dimension is particularly important (Mitsuhashi & Greve, 2009; Shah & Swaminathan, 2008). Yet, managing resource flows effectively and efficiently (Lunnan & Haugland, 2008) is mostly facilitated by resource *compatibility*, "affect[ing] the degree to which [allying firms] can exploit the complementarities" (Greve et al., 2012, p. 17). Further, alliances demand a high level of collaboration, coordination and knowledge exchange for such efficacy, which is facilitated by compatibility on the dimensions of corporate cultures and goals (Chen et al., 2009; Das, 2006).

Indicators in the Alliance Design Phase

When firms have agreed to form an alliance, they enter into the design phase, "wherein a firm (and its partner) set up appropriate governance to oversee the alliance" (Kale & Singh, 2009, p. 46). *Governance* refers here to three considerations; equity sharing or ownership, contractual provisions, and relational governance (Ibid.). In agreement with other alliance scholars (Hansen, Hoskisson, & Barney, 2008), Kale and Singh (2009) propose, "How a firm constructs alliance governance during the design phase of the alliance life cycle is crucial to alliance success" (p. 48). On the one hand, highly interdependent configurations such as joint ventures (Gulati & Singh, 1998) and relational governance mechanisms (Hoetker & Mellewigt, 2009) give excellent access to *partners'* resources. Both ease the exchange, sharing and joint development of resources not tradable in factor markets (Das & Teng, 2000; Mayer, 2006). On the other hand, they concurrently increase the risk of unintended transfers and opportunistic appropriation of *own* resources by the partners (Hoetker & Mellewigt, 2009; Parkhe, 1998). Yet, equity sharing is listed as a key alliance success driver in the conceptual framework of Kale and Singh (2009). It allows for holding each other 'hostage' and align the interests of the partners (Ibid.), but equity-based governance types like joint ventures can also facilitate coordination (Gulati & Singh, 1998) and thereby raise collaboration benefits (Hoetker & Mellewigt, 2009). Not least, *willingness* to make equity investments signals a broader willingness to commit resources to the alliance, which is critical for its performance (Chen et al., 2009). There are

[2] It should be noted that the complementarity of the partners' resources has little significance in scale alliances as opposed to link alliances (Dussauge, Garrette, & Mitchell, 2000). Resource compatibility, on the other hand, is important in both scale and link alliances.

equally pros and cons for contractual provisions versus relational governance. For instance, extensive contractual provisions decrease adaptive ability, and induce costs related to the development of contract details etc., but relational governance can also be costly due to time and resource allocation, and 'goodwill' diminishing performance (Hoetker & Mellewigt, 2009). Whereas there is evidence that these mechanisms are complementary, Hoetker and Mellewigt (2009) find that "formal mechanisms [are] best suited to property-based asset and relational governance best suited to knowledge-based assets" (p. 1025). Relational governance is thus critical in most alliances.

Indicators in the Alliance Postformation Phase

The third and final alliance phase discussed in this paper is postformation, "wherein a firm manages the alliance on an ongoing basis to realize value" (Kale & Singh, 2009, p. 46). Managing alliances certainly encompasses many problem areas and issues that must be attended to in order to ensure success. Still, key performance drivers have been identified here as well. The three aspects included in the conceptual model of Kale and Singh (2009) concern trust-construction (Saxton, 1997), effective and efficient coordination (Zollo, Reuer, & Singh, 2002), and successful resolution of conflicts (Das & Teng, 2003). These factors are, in fact, interrelated. For instance, trust is found to facilitate the development of interorganizational routines (Zollo et al., 2002) as well as smooth the resolution of conflicts (Ring & Van de Ven, 1994). Moreover, trust is an important determinant of the key performance indicators in the *design phase*. Kale and Singh (2009) note that "[m]any studies find that trust between partners is critical to alliance success, not only because it facilitates alliance governance as described earlier, but also because it helps partners work more cooperatively" (p. 50). Besides, "the same variables affecting parent firms' initial design choices also have a deeper impact on the relationship after the collaboration has been initiated" (Reuer et al., 2002, p. 148). Changes to alliance design form part of the dynamics of alliance management. Hence, the issues discussed related to the design phase are equally pertinent in the subsequent postformation phase.

In sum, alliance performance is positively influenced by the resource compatibility, cultural compatibility, and goal compatibility of the partner firms, by the willingness of the partner firms to invest equity and to rely on relational governance, as well as by trust-construction between the partner firms, effective and efficient coordination, and successful resolution of conflicts. This study builds on these assumptions when developing propositions for how going from large to small environmental reputation asymmetry affects performance indicators in each phase. Given that the indicators are very much interrelated, an analytic approach of combining all indicators (instead of an alliance phase-by-phase discussion) is considered as the most appropriate. First, a brief review of prior research on firm-specific reputation asymmetry outcomes in the alliance context is provided.

PRIOR RESEARCH ON FIRM-SPECIFIC REPUTATION ASYMMETRY OUTCOMES IN THE ALLIANCE CONTEXT

Reputation asymmetry or status-heterophilous relationships are not uncommon in the strategic alliance context (Ahuja, Polidoro, & Mitchell, 2009; Castellucci & Ertug, 2010). However, as stated earlier, reputation gaps represent costs as well as benefits for the two (or more) firms in an alliance. Although different types of reputation have distinct effects (Dollinger et al., 1997), some general outcomes can be highlighted from both firms' perspectives. From the lower-reputation firm's

perspective, incentives to ally with a higher-reputation partner include substantial and symbolic spillover benefits (Mayer, 2006). Ertug and Castellucci (2013) note that, "actors who have a high reputation for quality are expected to3 provide high-quality resources and thus increase the quality of the final product of the organization that is using their resources" (p. 409). Moreover, external stakeholders anticipate that the proximity and interactions between allying organizations will make them more similar in strategies as well as orientations and values (Stuart, Hoang, & Hybels, 1999; Yu & Lester, 2008). At the same time, reputation asymmetry represents potential disincentives for the lower-reputation firm, such as higher costs and even potential negative contrasting or blame effects (Costa & Vasconcelos, 2010). From the higher-reputation firm's perspective, possible benefits include gaining, for instance, stronger efforts (Castellucci & Ertug, 2010), more favorable terms (Ahuja et al., 2009; Stuart, 1998), or exceptional resources (Stuart, 1998) from the firm having an inferior reputation. However, lower-reputation firms may not always be willing to offer proportionate compensation to the reputation advantage. Further, the costs or disincentives for the higher-reputation firms include risks, particularly the threat of reputation loss due to negative spillover effects (Yu & Lester, 2008). Yet, whereas private costs and benefits of reputation asymmetry have been identified for the two firms, asymmetry on one reputational issue may have very different implications for alliance performance than asymmetry on another issue. In fact, in order to answer the main research question of this paper, it seems essential to begin by examining what having a high or low environmental reputation really implies. Only with this information can we explore how reducing environmental reputation asymmetry affects alliance performance.

FROM LARGE TO SMALL ENVIRONMENTAL REPUTATION ASYMMETRY AND STRATEGIC ALLIANCE PERFORMANCE

The Meaning of a Strong Environmental Reputation

Environmental reputation is the level of environmental credibility (Brady, 2005) attributed to a firm by its stakeholders; i.e., the perceived level of past and likely future environmental performance relative to other actors within the same industry (Walker, 2010). Firms implementing environmental activities in their business operations only when these become mandatory by the law are seen as the firms with the lowest reputation – in this paper – as firms with average or good environmental reputations hardly ally with firms ignoring environmental regulations (Mitsuhashi, 2002). Moreover, it is assumed that the more proactive the firms' environmental strategies (Hart, 1995), the higher the environmental reputation. Thus, strong environmental reputation indicates numerous complex and sophisticated 'natural' resources and capabilities that have the necessary characteristics for being sources of competitive advantages (Hart, 1995; Hart & Dowell, 2011). Examples include capabilities for pollution prevention, continuous innovation, and stakeholder integration (Aragón-Correa & Sharma, 2003). In other words, actors with strong environmental reputations can be expected to provide alliance partners with access to a variety of resources and capabilities, having enabled the high environmental performance. Additionally, such reputations offer valuable reputational spillovers. Much of the benefits from a strong environmental reputation are harvested through reputation-based effects (Hart & Dowell, 2011).

[3] For simplification, this paper assumes that the reputational signals are valid and not misleading due to e.g., 'greenwash'.

However, it must be highlighted that there are serious valuation difficulties associated with resources and capabilities built from proactive environmental strategies, due to a lack of available measurement tools and cognitive biases (Berchicci & King, 2007). This explains some of the, according to the NRBV, underinvestment in environmental capabilities or "systematic errors" (Ibid., p. 516) made by managers. 'Low-hanging fruits', e.g., energy and material costs savings, and waste reduction, are easier to spot than 'high-hanging fruits' such as continuous innovation and enhanced capabilities at stakeholder integration. What is more, although prior research has uncovered that proactive environmental strategies are typically driven by economic motives, there are non-financial motives or ethical considerations too (Banerjee, 2001). Studies have shown that another incentive for 'going green' has to do with 'doing the right thing' (Ibid.). Thus, corporate environmentalism can also be linked to the values and beliefs of organizational members, and in particular management, and is therefore embedded in the organizational culture. Both types of motivations, whether economic or a sense of moral obligation, necessarily have implications for organizational goals and priorities. These developments find further support through the strategic cognition perspective (Bundy et al., 2013; Narayanan et al., 2011). Bundy et al. (2013) argue that firms' cognitive structures consist of the dimensions organizational identity and strategic frames. Whether and to what extent an issue (here environmental protection) "resonates with and is prioritized by management" (Ibid., p. 352) determines the firm's responsiveness. Issues that are interpreted as consistent with both dimensions will receive the most substantial responses. Based on these insights, this article now turns to theorizing on implications of going from large to small environmental reputation asymmetry for the key indicators of alliance performance.

Effects of Environmental Reputation Asymmetry Reduction on the Key Alliance Performance Indicators in the Formation, Design, and Postformation Phases

As described earlier, the general resource-based logic from a firm's standpoint to form alliances with reputable partners is twofold; (i) strong reputations signal access to underlying substantive resources that have allowed for building the good reputation, and (ii) strong reputations offer symbolic benefits from being associated with higher-reputation partners. It was also explicated above that when it comes to the particular reputational issue focused on in this paper – *environmental* reputation – the resources available through a high-reputation partner are extensive. However, due to the path-dependency and high level of complexity and sophistication, internalizing or absorbing (Cohen & Levinthal, 1990) these capabilities may be difficult if the level of environmental performance is very inferior to the partner firm – indicating important dissimilarity of knowledge bases (Lane & Lubatkin, 1998). This implies lower resource compatibility than where the two firms have strong environmental reputations. Moreover, there will clearly be inertia as for symbolic spillovers (Yu & Lester, 2008) – since the large distance between the two firms' reputation will make the stakeholders less likely to perceive the firms as resembling one another in strategies as well as orientations and values – and a rather high risk of negative contrasting and blame effects (Costa & Vasconcelos, 2010). In other words, the reputations are less compatible as well. These arguments are consistent with the findings of Benjamin and Podolny (1999) that "higher-status wineries derive a greater return from a high-status affiliation" (p. 582). This suggests the following: When there is a large environmental reputation asymmetry, there is a high level of valuable resources available for the lower-reputation firm to tap into. Yet, due to low compatibility under such conditions, this firm will realize less substantive and symbolic spillovers than under conditions of smaller asymmetry.

Switching to the higher-reputation firm's perspective, it may be able to absorb the lower-reputation firm's resources due to its high-level capabilities, also under conditions of large asymmetry. Stated differently, it will likely display higher compatibility with own resources than in the case of the lower-reputation firm. This argument is derived from the fact that the higher-reputation partner necessarily has an extensive resource and capability base, underlying the strong environmental reputation (Aragón-Correa & Sharma, 2003), and therefore excellent absorptive capacity (Cohen & Levinthal, 1990). Still, large environmental reputation asymmetry indicates negative effects regarding conditions for creating common benefits. Conversely, if the environmental reputation gap is reduced it should positively affect coordination in the alliance postformation phase; this since managing resource flows effectively and efficiently is facilitated by resource compatibility (Greve et al., 2012).

In fact, the other compatibility-related indicators – cultural and goal compatibility – should equally be negatively affected by large environmental reputation asymmetry and improve as the gap is reduced. Environmental issues are given priority and attention according the level to which they are seen "as instrumentally salient for achieving strategic goals" (Bundy et al., 2013, p. 355) and consistent with the organizational identity – and therefore culture. Thus, for instance, when jointly developing a new product with its higher-reputation partner, the lower-reputation firm may refuse to make investments to increase the product's level of greenness. Naturally, it could be the case that this is the smart choice, as green investments do of course not necessarily pay off – especially in the short-term (Porter & van der Linde, 1995). Regardless, such situations suggest incompatibilities between the partner firms, as there are almost certainly significant differences in temporal orientations (Das, 2006). Incompatible goals and cultures tend to foster conflicts. How these are resolved, another key indicator of alliance performance, naturally depends on a number of factors – among them trust. As previously mentioned, trust is found to facilitate the development of interorganizational routines (Zollo et al., 2002) as well as smooth the resolution of conflicts (Ring & Van de Ven, 1994). However, under conditions of incompatible cultures, trust-construction is more challenging (Parkhe, 1998). This is to say that large asymmetry in environmental reputations implies that there will be conflicts, and that an important remedy for successfully dealing with these – trust – is harder to construct when there is large asymmetry. The level of perceived trustworthiness will, however, arguably be different from the two firms' relative perspectives.

From the lower-reputation firm's perspective, the strong environmental reputation of the partner firm can provide a signal of trustworthiness (Mayer, Davis, & Schoorman, 1995) – predominantly integrity (Norheim-Hansen, 2014)4 – allowing for "the pursuit of gains […] while simultaneously limiting the threat of opportunism" (Hansen et al., 2008, p. 191). This indicates that green reputations positively influence another indicator, i.e., facing firms' willingness to invest equity. Investing equity, and thus increasing the proximity or interdependence with such partners, allows for more effectively and efficiently tapping into valuable and hardly tradable resources, including their reputations (Stuart et al. 1999; Yu & Lester, 2008). However, as discussed earlier, when the asymmetry is large, the lower-reputation firm will less efficiently and effectively make use of the access to the higher-reputation partner's natural resources and capabilities. Moreover, the symbolic spillover mechanism is less strong and there is a high risk of contrasting and blame effects. Additionally, the lower-reputation firm will likely be less appreciative of some of the resources and

[4] The paper draws on Mayer et al. (1995) and holds that trustworthiness is a three-dimensional construct, consisting of the elements ability, integrity and benevolence.

less eager to tap into them, since firms with purely compliance-based environmental strategies do not acknowledge all the potential benefits associated with being green (Ambec & Lanoie, 2008).

Switching to the higher-reputation firm's perspective, it can be highlighted as earlier that when the asymmetry is large there is a high risk of damaging symbolic spillovers or reputation loss (Yu & Lester, 2008). Moreover, the higher the proximity between the two firms, the higher the risk (Ibid.). From this it seems reasonable to argue that the willingness of the higher-reputation firm to invest equity should be low when asymmetry is large, and get higher as the gap is reduced. The risks associated with allying with a lower-reputation partner equally suggests that the larger the asymmetry, the less the higher-reputation firm will be willing to rely on relational governance. It can be expected to rather require contractual provisions to control and seek improvements in the lower-reputation firm's behavior. In fact, since few firms have environmental reputation as core to their overall business strategy, these improvements will most likely be perceived as beneficial only (Ibid.).

In contrast to the high-reputation firm, the lower-reputation firm may show willingness to rely on relational governance – as it will be better able to tap into the partner's resources, and likely perceive it as more trustworthy. Yet, as discussed earlier, when the asymmetry is large, the lower-reputation firm will be less able to make use of spillovers, and may also feel vulnerable with respect to bargaining power (Stuart, 1998). This suggests that the willingness increases as the size of the reputation asymmetry is reduced. As the alliance performance is dependent on the firms' joint willingness to invest equity and rely on relational governance, this is clearly likely to increase as the environmental reputation asymmetry is reduced. Finally, considering that "the same variables affecting parent firms' initial design choices also have a deeper impact on the relationship after the collaboration has been initiated" (Reuer et al., 2002, p. 148), there is extensive theoretical support for the following predictions:

> ***Proposition 1:*** *As a large environmental reputation asymmetry between the partner firms in a strategic alliance becomes smaller, there are positive effects on key alliance performance indicators in the:*
> *(a) Formation phase;*
> *(b) Design phase;*
> *(c) Postformation phase.*

These propositions are illustrated in Figure 1. Altogether, they inform us that going from large to small environmental reputation asymmetry between alliance partners positively affects strategic alliance performance.

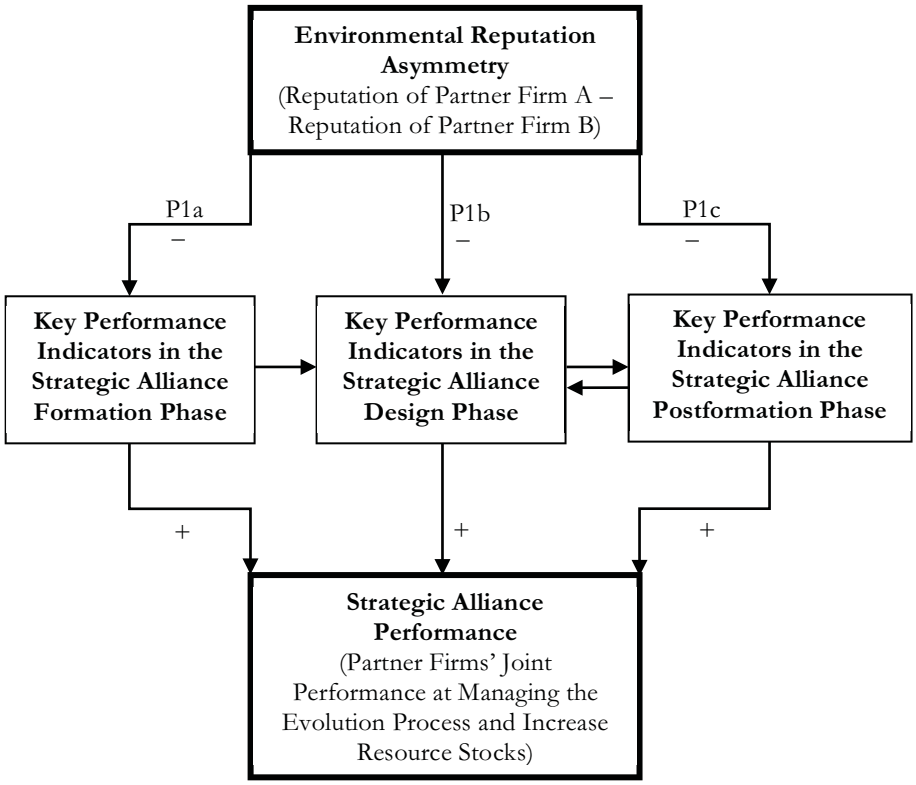
DISCUSSION

This paper has sought to further our understanding of how environmental reputations function in the strategic alliance context and, more specifically, the outcomes of environmental reputation asymmetry – at a dyadic level. The main objective was, through integrating the NRBV and strategic cognition perspective, to examine effects of environmental reputation asymmetry reduction on alliance performance. To offer a comprehensive theoretical analysis, I built on Kale and Singh's (2009) conceptual model, including key alliance performance indicators in three alliances phases. The theoretical findings suggest that there are positive effects on indicators in the (i) formation phase, (ii)

design phase, and (iii) postformation phase. Stated differently, there are positive effects on alliance performance.

These propositions have several implications for the literature on reputation asymmetry effects in the strategic alliance setting. Although we know that there are benefits as well as costs for both the lower- and higher-reputation partner, analyzing these jointly adds to our understanding of implications for the common value creation. Whereas studies isolating private costs and benefits from allying with a higher *or lower* reputation partner have offered valuable insights, it is surely necessary to join the two firms' standpoints in order to fully comprehend how the firm-specific outcomes interact; this to see when potential advantages can be realized or will be hampered.

Figure 1. Conceptual model



Moreover, investigating effects in several alliance phases provides a more complete, longitudinal picture of these dynamics – offering fine-grained analyses of underlying mechanisms. These pertain to environmental reputations in particular, one widely salient reputational issue. In addition to extending the research literature on reputation asymmetry in the alliance context, this study adds to the scholarly work that has been done to unearth determinants of alliance failure and success (Lunnan & Haugland, 2008; Mitshuhashi & Greve, 2009). It shows that large environmental reputation asymmetry can impair performance and, more importantly, how reducing the gap can boost alliance performance. What is more, criteria found to drive alliance formation should be analyzed for their impact on alliance performance – as emphasized by Mitsuhashi and Greve (2009) – and strong environmental reputation has recently been found to enhance alliance partner attractiveness (Norheim-Hansen, 2013, 2014).

Limitations and Future Research

A number of research paths come to light from the various limitations of this study – the most blatant one being the absence of empirical testing of the proposed relationships. Considering the serious challenges related to assessing reputations, such endeavors could allow for valued contributions. On the other hand, "established measures of alliance performance are abundant in the literature" (Das & Teng, 2000, p. 54), despite controversies related to measuring this construct as well (Makino et al., 2007). As regards empirical testing of the effects on each alliance phase, it seems problematic to include all phases in one study – even if applying a comprehensive longitudinal approach. It is thus recommended to break the content of this paper down to narrower research questions, in pursuits to offer empirical verification. Accordingly, it was explained earlier that a trade-off was made in this article, where including a comprehensive analysis of underlying mechanisms allowed for theoretical examinations only.

Another obvious limitation and research possibility is drawing on other theoretical perspectives to reveal different mechanisms or mediators between (environmental) reputation asymmetry and alliance performance. A likely interesting direction for future research is explorations of interaction effects (Steensma et al., 2008). Revealing key moderators enhances our understanding as to *when* large asymmetry should be strictly avoided in interfirm cooperative agreements. If factors expected to weaken negative effects are present, avoiding asymmetry is less critical. Moreover, moderating factors able to accelerate a process where the lower-reputation firm's environmental reputation approaches that of the higher-reputation partner should be particularly beneficial for alliance performance. In general, considerably more scholarly work is undeniably needed to fully understand how environmental reputation asymmetry affects alliance performance. This paper has contributed with some new insights, and has highlighted some limitations pointing out avenues for future research. (Implications for practice are included in a longer version of the paper).

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Sustainability &
Sustainable Development

CONFERENCE THEME:
"Reclaiming the
Societal Dimension"

CAN ORGANISATIONS PAVE THE WAY FOR SUSTAINABILITY IN COMMUNITIES?

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Abstract: Organisations are increasingly asked to respond to local environmental issues, however, due to competing interests, initiatives they can often be viewed with skepticism and mistrust. Research on organisationally led initiatives to respond positively to environmental issues is lacking. Using qualitative methodology, this case explores the drivers of a successful sustainable water allocation strategy in the town of Griffith NSW, part of the Murray Darling Basin, facilitated by the local irrigation authority. Data indicated that community engagement in planning and scoping was important in fostering support and project success. Equity in engagement, and facilitation via a combined top-down/bottom-up management style, increased trust. Understanding of the needs of each stakeholder group generated better engagement in the project, regardless of project outcomes, indicating that authentic consultation was a significant factor. This research suggests that given the appropriate stimulus, communities can 'emerge' their own sustainability.

Keywords: Murray Darling Basin, sustainability, stakeholder engagement, organisationally led initiatives

INTRODUCTION

Organisations are increasingly asked to respond to local environmental issues, however evidence designed to guide organisational responses is limited. This study asks whether organisations can act as a resource to drive sustainability within communities, and what impact organisational stakeholder engagement may have on local environmental issues. It is a case study of a town in the Murray Darling Basin (MDB) in Australia, and demonstrates how the actions of a water authority in the local area assisted the community in 'emerging' its own version of sustainability, which included social and environmental aspects of sustainability.

REVIEW

Corporate social responsibility (CSR), Corporate Sustainability (CS) has received much attention from scholars for more than four decades (Linnenluecke & Griffiths, 2013; Margolis & Walsh, 2003) and is widely recognised to be a complex umbrella term of contested meaning (Matten & Moon, 2005). CSR can be defined as organisational activity referring to "the firm's consideration of, and response to, issues beyond the narrow economic, technical, and legal requirements of the firm" (Davis, 1973, p. 31) and is argued to be a tool organisations all over the world use in an attempt to redress social ills (Margolis & Walsh, 2003). The majority of this research however, tends to focus on the relationship between corporate financial performance and CSR i.e. the 'business case'. It fails

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to address the environmental and social aspects of sustainability, and to advise organisations on what they should actually do. In essence, the problem is the amount of complexity, for organisations and for the communities they interact with.

The Complexity of Sustainability

Sustainability has been acknowledged as a complex problem, not only for communities, but experts and organisations as well (Metcalf & Benn, 2013). This complexity arises from the notion that sustainability occurs as part of a larger system, incorporating organisations, society, and the environment as agents. Thus achieving sustainability calls for transformation of the entire system through innovation, rather than a change in one segment or agent of the system (Gaziulusoy, Boyle & McDowall, 2013).

System innovation is defined as 'a transition from one socio-technical system to another' (Geels, 2005 p. 2) and occurs when society shifts fundamentally from one way of doing things to another, for example, the evolution of transportation from horse and cart to cars (Gaziulusoy et al., 2013). These types of fundamental transitions impact not only individuals in terms of lifestyle, but also organisations in terms of product development and business direction. These transitions ultimately drive changes in markets, legislation, and the development of cultural and social norms (Gaziulusoy et al., 2013). A requirement of effective system innovation is therefore argued to be addressing the needs, rewards, and expectations of all agents operating within that system.

Addressing these needs however, is problematic, particularly for organisations. In terms of system innovation towards sustainability, there is a lack of applied research into the relationship between business operation and the larger systemic changes at the societal level (Korhonen & Seager, 2008). What little research exists tends to favour creating business cases for organisations to participate in sustainable initiatives, rather than the impacts these have on society at large (Parrish, 2010). In other words, organisations that proactively engage in incorporating sustainability initiatives, tend to do so to ensure meeting regulatory requirements, maintain a standard of legislative or industry compliance, or engage in more efficient and cost-effective methods of conducting business (Gaziulusoy et al., 2013), rather than as a result of knowing that an innovation will impact larger sustainability issues such as climate change. Motivations for moving toward sustainable practices are then largely driven by the need to respond to external pressures rather than a sense of 'global' or environmental responsibility.

Complex problems are defined as those which require large-scale problem solving, are interconnected, and dynamic in nature (Metcalf & Benn, 2013). They involve limited transparency into the relationship between connections, and for which a linear solution is impossible, thus necessitating various solutions to various aspects of the problem (Metcalf & Benn, 2013). The complexity of sustainability is argued to have multiple levels that include environment, economy and society (Holling, 2001). Therefore, rather than being organisationally driven, successful sustainable innovation needs to include the perspectives of all of these agents. Given the interconnectedness of these agents, and the dynamic nature of achieving sustainability in terms of environmental and social changes, neither of these agents can be substituted as all need to be well considered in order to achieve sustainable outcomes (Gaziulusoy et al., 2013). According to Metcalf and Benn (2013), organisational sustainability requires organisations to look beyond immediate organisational

boundaries, including financial interests with the understanding of operating within a wider system such as the environment.

The Challenges of Organisations to be Sustainable

Since 1972, the majority of CSR research has focused on the relationship between CSR and organisational financial performance (Linnenluecke & Griffiths, 2013; Margolis & Walsh, 2003), or proving the 'business case'. Profit-making organisations are sustainable in at least one sense: they produce goods and services, provide employment, and increase shareholder value, which in turn demonstrates at least some increase to social welfare. The financial sustainability of organisations is therefore at least one component in providing long-term benefits for social wellbeing (Linnenluecke & Griffiths, 2013), but is it sufficient? Despite the increasing body of published work investigating the many facets of CSR and organisational financial performance, we are yet to arrive at an answer to the question posed by Margolis and Walsh (2003) as to what impact, if any, CSR has on society.

In its worst form, inadequate implementation of sustainability in organisations takes the form of "greenwashing". The academic literature on "greenwashing", or the dissemination of information designed to mislead the public about an organisation's environmental and social responsibility practices (Parguel, Benoit-Moreau & Larceneux, 2011), indicates that organisations often provide misinformation when reporting on CSR activities (Laufer, 2003), although it may not be intentional. Often this disingenuous use of language is used to manipulate the public, for example making promises that an organisation does not deliver on (Laufer, 2003), rather than the blatant fabrication of statistics or details in their CSR reporting, making it difficult for regulators or the public to hold organisations to account (Vos, 2009). It is questionable though as to how much of this misrepresentation is intentional and how much is due to a misunderstanding of the difficulties of implementing sustainability initiatives.

According to Campbell (2006), the likelihood of organisational engagement in corporate social responsibility rests on the following motives: well-defined and regulated legislation; embedded systemic industrial self-regulation practices; and pressure from community groups, investors, stakeholders, or the press. Furthermore, industries in which sustainability is normalised tend to also be more motivated to engage (Campbell, 2006). It therefore seems clear that unless there is a business case for engagement in CSR initiatives, which is then promoted by society or industry, organisations are unlikely to engage. This evidence indicates that organisations tend to react to, rather than be the driver of, sustainability initiatives.

The Challenges for Communities to Engage in Sustainability

Just as local communities struggle with the impact many businesses have on their local environments, they have also long struggled with implementing sustainability initiatives themselves (Summers et al., 2014), and in particular, the equitable management of common-pool resources (Anderies et al., 2011). Scholars in this field believe that the common-pool resource dilemma rests on the assertion that every individual is invested in benefiting from harnessing common-pool resources without making any sacrifices, based on the expectation that others instead will make that sacrifice in their place (Anderies et al., 2011). Continuing to exhaust the planet of its resources

however, is unsustainable (Anderies et al., 2011) and individuals need to work together to better manage the planet's resources.

According to Conrad and Hilchey (2011), community engagement in the sustainable management of natural common-pool resources increases when information of anthropogenic, or 'man-made' impacts on the environment have been clearly communicated. Given that the individual is in essence 'self-interested' (Hardin, 1968), shedding light on anthropogenic activity appears to be the lynchpin for getting communities to work together on sustainability initiatives.

Community education programs targeting sustainability however, have had mixed results. According to Huey-Li (2006), the environmental education movement has polarised the ethical, political and pedagogical values within communities, with some proposing respect for nature and the resources it provides by minimising impact, and others who promote optimal natural resource use to protect economic well-being. Many of these educational initiatives have particularly polarised the farming community who know water is necessary for economic survival while also recognising the environmental impact of inadequate water resources (Lemly, Kingsford & Thompson, 2000).

Educational programs may also be problematic if a top-down approach is used. An investigation of cattle farmers in the Macquarie Marshes, Australia, found that the farming community was less receptive to education on equitable water allocation practices due to the directive nature of the communication strategy (Lemly et al., 2000). Although farmers acknowledged the devastating environmental effects extraction of water for irrigation had caused, they continued to believe that water was wasted if diverted to wetlands, and that their current methods provided more economic benefit to communities over ecological sustainability (Lemly et al., 2000).

Bottom-up approaches can also be problematic and often fail due to the lack of legislative and government support, while also lacking the credibility and organisation necessary to drive and implement change (Bradshaw, 2003). A review of case studies on the management of natural resources revealed that a 'collaborative governance' approach, whereby decisions governed by a board and included all sectors of community, was more likely to develop social capital and yield more desirable outcomes, compared with either top-down or bottom-up approaches (Conrad & Hilchey, 2011). These findings indicate that an isolated governance structure or an isolated community driven approach is problematic, making broad stakeholder involvement necessary for environmental strategies (Conrad & Hilchey, 2011).

Given that sustainability, and more specifically common resource management, has been identified as a complex problem, attempting to resolve resource problems without larger stakeholder involvement is impractical. In fact, research indicates that the act of collaborative problem solving for complex problems yields far superior results than single stakeholder group involvement (Zurba et al., 2012). Broad stakeholder involvement also assists with the development of social capital and trust (Beunen & de Vries, 2011). A recent study investigating sustainable water allocation through community engagement, found strong social capital amongst members within the same community groups, but little to no social capital between members of different community groups (Memon & Weber, 2010). Social capital and trust may therefore, be a key component of the behaviour change process in relation to sustainability.

The Current Case Study

To investigate the connection between organisation and communities, the current case study explores a 'positive' case in the Murray Darling Basin (MDB), often referred to as 'Australia's food bowl'. The waters of the MDB are among the most heavily exploited natural resources in Australia due to the chronic overharvesting of water from both agricultural and local community sectors (Laurance et al., 2011). Exploitation has led to the decline of many plant species (Colloff & Baldwin, 2010), along with a decline in the migration and breeding of wildlife (Loch, Bjornlund, & McIver, 2011). Due to inter-jurisdictional debates over water allocation, human interference, and volatility of average rainfall (CSIRO, 2007), the problem shows little signs of abating. Much of the environmental degradation in the MDB over the past 20 years has been attributed to over-allocation of water resources (Jones et al., 2002), through extracting more water from the ecosystem than the ecosystem needs to ensure survival (National Water Commission, 2009). The majority of this over-allocation is attributable to consumptive uses for the purposes of agriculture. Consumptive uses are also those that drive economic benefit as a result of irrigation (Lemly et al., 2000).

The need to use fewer resources and change human consumption practices is clear however little is known as to 'how' to do this. Research on adopting sustainable water allocation practices is scarce, and that which exists has widely varied outcomes (Conrad & Hilchey, 2011). This lack of knowledge impacts most heavily on the authorities responsible for managing water resources, including the Murrumbidgee Irrigation Authority (MIA) as discussed in this case study.

Given the nature of the debate across the political, social, and cultural arenas, this study aims to explore whether organisationally led initiatives can enable and empower communities with the development of their own version of sustainability within their own local context by investigating a 'positive' case, i.e. the successful management of a common resource in the Barren Box Swamp, a natural ephemeral wetland located 30km north-west of Griffith NSW in the MDB and proposes: that transparency in the process, and engagement of all relevant stakeholders, should foster belief and trust in an organisationally led sustainability initiative, which should lead to increased trust across the network of stakeholders. In essence, we propose that communities, given the appropriate stimulus by organisations, can emerge their own form of sustainability.

METHODOLOGY

The current study investigated the successful implementation of a water saving initiative in 2006 in the MDB in Australia. Facilitated by the MIA, the success of the water saving initiative was attributed to the collaboration of all stakeholders. So substantial were the water savings, environmental improvements, and cultural protection, that the initiative was awarded the *Environment and Heritage Award* in the Sydney Engineering Excellence Awards and was showcased at the Sydney Powerhouse Museum throughout 2007 (Murrumbidgee Irrigation, 2012). Prior to implementation, the Barren Box Swamp was subject to high water loss through evaporation, rendering it an extremely inefficient water storage facility. Redevelopment of the site involved the division of the Barren Box Swamp into three separate cells; an active storage cell (38% of the site), an intermediate cell designed to store small flows during dry periods (10% of the site), and a third cell which was restored to a natural wetland state (52% of the site). Although the MIA facilitated the water saving initiative, the farming community was heavily involved through the negotiation of land ownership

and the water licencing process. Furthermore, given the culturally sensitive heritage nature of the Barren Box Swamp, the Indigenous community was also heavily involved with the relocation, and in some cases, removal of over 1,000 cultural artifacts. In conjunction with the water saving initiative, the local Indigenous community and the MIA negotiated a *Cultural Heritage Management Plan* aimed at preserving sites and artifacts with Indigenous cultural significance (Murrumbidgee Irrigation, 2012).

Participants

Initial telephone contact was made with the MIA who participated in the interview process. At the completion of this telephone interview, the MIA then provided contact details of key stakeholders from various sectors of the community who were involved with, or impacted by the water allocation initiative implemented in the Barren Box Swamp in 2007. These potential participants were then contacted, briefed on the aim and method of the study, requested to participate in the interview process, and subsequently asked to recommend additional participants who they believed could provide valuable information to the study (snowballing). Researchers were able to identify and contact key stakeholders from all sectors of community in this way. The snowballing technique also enabled researchers to ensure that the 30 participants were representative of the community being studied and were involved in the change process.

Procedure

Semi-structured open-ended interviews were conducted with participants; these were based on an extensive literature review of the themes and issues surrounding effective collaborative processes and community trust in initiatives. Data was then collected, transcribed verbatim and analysed to provide concepts and relationships between themes.

Analysis

Data was de-identified and uploaded into the content analysis software Leximancer (2005). The Leximancer software analyses and extracts meaning from text to identify 'concepts' based on clusters of related terms within the text, providing opportunity to investigate the inter-connectedness and co-occurrence of themes in qualitative data (Penn-Edwards, 2010). Output is in the form of a conceptual map illustrating the main concepts located in the data and their relationships.

The use of Leximancer ensures the researchers' interpretations of the data do not skew the coding process. This further improves reliability of the concepts generated and their associated meanings as identified through the use of machine learning (Angus-Leppan et al., 2009). This machine learning contains techniques adopted from the areas of "computational linguistics, network theory, machine learning, and information science" (Smith, Grech, & Horberry, 2002, p.1). Content analysis employs text search functionality; firstly identifying the key global themes or concepts occurring in the data, and secondly highlighting the significance of these themes as they appear. This enables the discovery of unexpected relationships within the data that researchers may not have been aware of during the data collection phase (Smith & Humphreys, 2006).

Leximancer Settings Used for this Analysis

Data was uploaded into Leximancer using automatic default settings to create the initial output. Initial analysis generated a list of keywords from the dialogue to ensure the integrity of the coding process and eliminate any subjective bias or misinterpretation on the part of the researcher. This process also allows for the revelation of new ideas about the consultative process that may not have been identified in the existing literature. Leximancer was thus able to provide concepts and themes based on their prevalence and arrangement within the dialogue.

The initial analysis indicated distinct connections between the collaborative process and the concepts within the literature, and also revealed various colloquial themes such as 'guess', 'stuff', and 'suppose' used by participants. An analysis of the transcripts revealed that these terms offered little semantic value and researchers decided to remove these from the concept list. Individual themes that were identified as being similar in nature, such as 'environment' and 'environmental', 'swamp' and 'Barren Box', were merged, as researchers believed these concepts did not provide a semantic difference, as ascertained through examination of the original transcripts.

FINDINGS

Figure 1 Leximancer 'maps' the dialogue from the 30 transcripts in terms of frequency and relationships between 'concepts' (text labels) and 'themes' (circles). Concepts are groups of words that travel together through the text. The 'themes' group concepts with contextual similarity. The name of the theme is taken from the name of the largest concept within the theme sphere. Overlapping themes show interconnection: in Figure 1 'environment' overlaps 'different' and 'water' suggesting that management of the environment in terms of water allocation strategies depends on communication between all stakeholders and the different issues each stakeholder group has in this context. 'Different' also overlaps with 'people' indicating that individuals experienced varying issues in terms of the project and environmental outcomes.

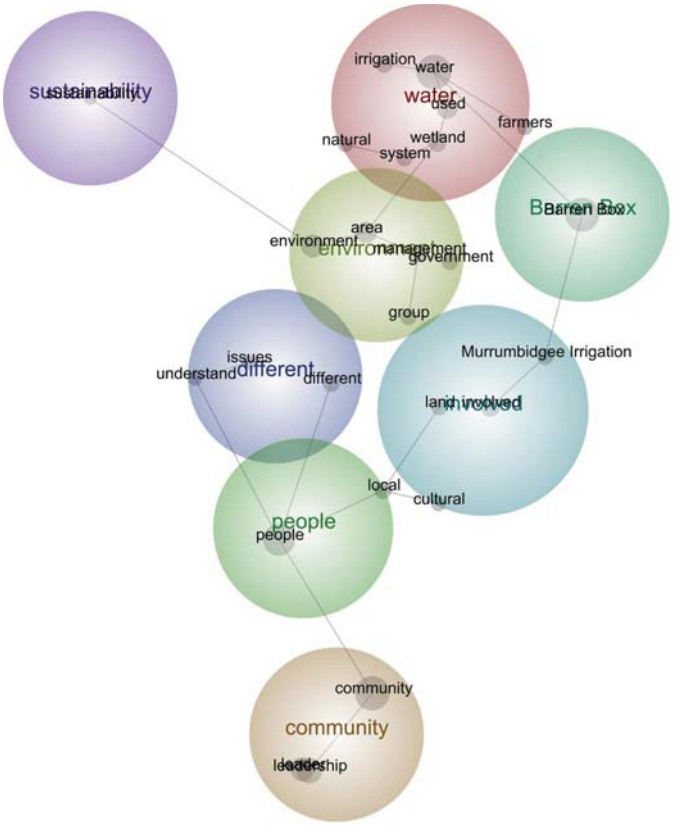
Overall, the map demonstrates that community was not central in this project. The central theme is 'involved' i.e those who were requested to participate in the communication and collaboration of ideas in terms of project outcomes, and also that the process was environment-centric with 'environment' in the centre of the map. Furthermore, the map demonstrates the existence of division between the project and community, and can be distinguished by two loosely linked sub-maps; the first incorporating 'sustainability', 'water', 'environment', and 'Barren Box', and the second incorporating 'community', 'people' and 'different' linked through 'involved'.

Farmers

There was a distinct difference in responses from farmers who sourced their water upstream of the Barren Box Swamp, to those who sourced their water downstream. The division of the swamp into 3 cells removed water from Mirrool Creek, eliminating the use of this waterway for upstream farmers "I just haven't got the full use of the swamp water that I had before". Downstream farmers however, expressed satisfaction with the cell division as they were able to directly order and access water from the storage cells with little disruption to their current farming practices "how it works well for me is that they can store water for downstream in peak periods as well and not lose it going

up in evaporation". Overall, downstream farmers were happier than upstream farmers with the changes made in Barren Box "I don't really believe there could have been much done better". Upstream farmers however, expressed serious concerns at the beginning of the project in terms of their ability to access water. Specifically, farmers believed their concerns were ignored as the MIA sectioned off land in the swamp without the appropriate permits or approval from the landholders "[MIA] originally put the DA [development application] in on land they didn't own". This essentially led to a halting of the works whilst legal counsel was sought, resulting in a substantial financial outlay by both the MIA and the landholders to ensure equity in the process "we collected money from each [Mirrool Creek farmer] and we had to engage a solicitor from Sydney to help us...it was quite costly really". In essence, upstream landholders believed they had to fight for a fair outcome in terms of their water entitlements.

Figure 1. Leximancer output mapping the themes associated with community collaboration from the 30 interview transcripts.



Murrumbidgee Irrigation Authority

In comparison, the data indicate that the MIA believe they discussed the project with all sectors of the community fairly and reasonably, although they did acknowledge that in hindsight the process could have been run more smoothly. "People [at MIA] could have done a lot more work earlier to talk to these people [farmers] about what was happening in the valley and how that was going to be shared by all of the system users, not just those upstream of the swamp." Moreover, the MIA

maintain that the instant they were made aware of discrepancies, every attempt was consciously made to include these stakeholders in the decision making process "a lot of these arguments went along in hearings and we had to justify these in our proposal to the planning department".

Indigenous Community

The data indicate that the Indigenous Community experienced complete engagement in the process "consulting the Aboriginal Land Council was one thing they did well...before anything started out there they approached the Land Council and the Land Council put it to a meeting, with the [Indigenous] community members" and "...that's one thing MIA are really big on, community consultation, and doing it in a culturally appropriate way, and they engaged our guys, all of our members, our members were given the opportunity to go out there and do some training, learn how to do the stuff, it was really good". They felt they were integral to project success, and believed that had they not approved the relocation of traditional artifacts from the Barren Box Swamp, the project would not have proceeded: "they [MIA] had to get permission to go ahead with it all, after we found all the [Indigenous] sites and that, we brought it back to the Land Council once we did the site survey and they basically put it to the land council 'will we give them permission to do what they want to do?' Didn't see any harm in doing it. So it's doing it's bit for the town, it's keeping the town alive, and the farmers, they need that food growing and we need the water."

Environmentalists

The data indicate that, as a whole, environmentalists viewed the process and outcomes as fair and well considered "I think all along they tried to get public opinion and advice. Certainly they kept the public aware of what processes they were going through...I think it was a very open project" and "The environmental community couldn't be better pleased I think. We now have an area set aside for environmental usage".

DISCUSSION

The aim of this study was to determine whether organisationally led initiatives can enable and empower communities to develop their own version of sustainability within their own context. The proposition that transparency in the process, and engagement of all relevant stakeholders, will foster belief and trust in an organisationally led initiative was supported. Furthermore, the proposition that this belief and trust in the initiative will foster trust between various stakeholders and their competing interests was also supported. Finally, the proposition that sustainability within communities can occur as a by-product of using this collaborative approach was also supported. Specifically, the difference in engagement between the two sectors of the farming community and the Indigenous community offers the strongest support for these propositions. In essence then, this study supports the notion that organisations can assist communities in developing a sustainable local context and provides perspective on the potential mechanisms for doing this.

Upstream farmers overwhelmingly expressed dissatisfaction with the changes in water entitlements, which essentially reduced access to water they previously had. Consistent with previous research, ensuring all stakeholders are fairly represented in organisational decisions was essential when seeking alignment, alliances and cooperation amongst various stakeholders (Fassin, 2012). Failure of the

MIA to adequately address the concerns of these stakeholders during the initial planning and implementation process, ultimately led to increased distrust in the MIA and their motivations behind the project amongst this sector. Upstream farmers believed decisions were made irrespective of consultation, and expressed a sense of unfairness in the process. These stakeholders perceived a shift from a consultative approach to a top-down directive approach, which the literature demonstrates is likely to be inefficient in terms of community behaviour change (e.g. Lemly et al., 2000).

Change amongst the Indigenous community however, was created in a consultative manner with the MIA ensuring complete transparency throughout the process. Engaging the Indigenous community through the Land Council at the very beginning of the project appeared to develop trust between these two groups, and a sense of fairness in the process. Although some researchers may argue that bottom-up approaches are problematic (e.g. Bradshaw, 2003), it is clear that, in this case, including the Indigenous community in the decision making process led to favourable project outcomes.

Hence, including all sectors of community in negotiations also appears to assist in the development of social capital and trust (Pretty, 2003), regardless of the outcomes they face. The dissatisfaction of upstream farmers was directed towards the process rather than project outcomes. In fact, all of the participants interviewed unanimously agreed that the project was successful as a "great water saving initiative". However, the failure of the MIA to include the upstream farmers, during the initial planning process limited the initial development of trust necessary for an effective negotiation process for that group, which the MIA was ultimately required to resolve.

Identifying and resolving barriers to stakeholder engagement appears to be essential in the initial stages of the change process. Decisions made at the beginning of the planning process in terms of community engagement, influence the formation of social networks, their evolution, and the ability for organisations to overcome potential problems (Beunen & de Vries, 2011).

The data for the current study indicate that the project was also environment-centric, with environmental outcomes occurring as a consequence of pursuing social goals, i.e. equitable access to water for all stakeholders. It is difficult to encourage stakeholders with vested interests in a common resource, and one on which their livelihood depends, to put environmental benefits ahead of financial outcomes. According to Gibson (2012), persuading organisations to balance financial outcomes with environmental outcomes by viewing the environment as a stakeholder is an impossible feat. Instead, Gibson (2012) theorises that organisational focus needs to be directed towards human sustainability through resource preservation, combined with stakeholder management principles of avoiding unnecessary harm.

The data clearly indicated two separate theme 'sub-maps'; the first being 'sustainability', 'water', 'environment', and 'Barren Box', and the second 'community', 'people' and 'different', which were connected via the 'involved' theme, which we take to mean communication/participation channels. This indicates a disconnect between project outcomes and process. Although the project was considered to be successful by stakeholders, the process itself may not have been.

The results of the current study indicate that in this context, organisationally led successful management of a common-pool resource is dependent on levels of stakeholder engagement and that organisations can assist communities in 'emerging' their own sustainability with appropriate

mechanisms. However, the current study has only begun to scratch the surface of the question posed by Margolis and Walsh (2003) in terms of organisational utility with enabling and empowering communities towards improved health and welfare, as well as protecting the natural environment. Given the complexity inherent in organisational structure and process, it would also be valuable to investigate whether the more 'employees' are also 'community' the more likely sustainable outcomes become, calling for an increasingly 'porous' organisational boundary. Investigation into these areas would enable the development of a model which organisations can use to further enhance decision-making when implementing CSR.

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Sustainability & Sustainable Development

CONFERENCE THEME: "Reclaiming the Societal Dimension"

EVOLUTIONARY SYSTEMS THEORY OF CORPORATE SUSTAINABLE STRATEGY

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Abstract: Drawing on complex systems theories this paper outlines a theory of why companies need to make more determined efforts to develop genuinely sustainable corporate strategies. The paper integrates the notions of co-evolutionary systems change, fitness landscapes and corporate sustainable strategies in an attempt to synthesise our understanding of how and why organisations evolve over time with the observation of increasing rates of wider systemic changes. The aim is to illustrate that there is a much deeper (and arguably 'natural') reason for why firms will and must make greater efforts towards implementing sustainability strategies. By framing sustainability challenges through this evolutionary complex systems perspective, this paper hopes to contribute to more instrumental discussions about firms' wider impact on nature and society.

Keywords: sustainability; systems theory; fitness landscapes

INTRODUCTION

On May 9, the daily mean concentration of carbon dioxide in the atmosphere of Mauna Loa, Hawaii, surpassed 400 parts per million (ppm) for the first time since measurements began in 1958 (ESRL, 2013). Moreover, "the world lost over 100 million hectares of forest from 2000 to 2005, and has lost 20 per cent of its seagrass and mangrove habitats since 1970 and 1980 respectively. In some regions, 95 per cent of wetlands have been lost. The condition of coral reefs globally has declined by 38 per cent since 1980. Two-thirds of the world's largest rivers are now moderately to severely fragmented by dams and reservoirs" (GEO5, 2012). These are just some of the concerning statistics indicating significant changes occurring in the Earth's natural environment (OECD, 2013).

While academic research on whether and how firms should respond to these effects is well established (cf., Bansal and Gao, 2006; Etzion, 2007; Hoffman and George, 2013; Kallio and Nordberg, 2006) and despite the fact that there are numerous examples of proactive corporate sustainability strategies (Winn and Pogutz, 2013), immense and widespread questions remain over their actual effectiveness given the aforementioned statistics (Dahlmann and Brammer, 2011). More specifically, research finds that we need to distinguish clearly between firms' symbolic and substantive sustainability efforts in response to a variety of pressures and forces (Delmas and Cuerel Burbano, 2011; Delmas and Montes-Sancho, 2010).

Within the broader field of sustainability, much debate focuses on whether corporate engagement with sustainability is or should be viewed from descriptive/empirical or prescriptive/normative perspectives (Starik and Kanashiro, 2013). Essentially, the key question is in how far sustainability

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represents an issue of importance to business because of inherent ethical and values-based assumptions about the wider natural and social environment, or simply because of strategic organisational self-interest.

Examples of such existing conceptualisations include normative stakeholder thinking (Waddock, 2013), socio-ecological mechanisms within dynamic ecosystems (Boons, 2013), nature as strategy and risk in a new corporate reality (Winn and Pogutz, 2013), ecological modernisation theory (McLaughlin, 2013), an integrative paradigm of "sustaincentrism" (Gladwin et al., 1995), multilevel and multisystem perspectives of ecologically sustainable organizations (Starik and Rands, 1995), the role of coevolution (Boons, 2013; Porter, 2006; Stead and Stead, 2013), ecofeminism (Gaard, 2001), organizational adaptive capacity for enterprise model innovation (Zollo et al., 2013), and an enterprise-strategy based model of sustainable strategic management (Stead and Stead, 2008).

Despite the field's recent growth, there are concerns that these conceptualisations of sustainability management remain undervalued and underutilised in terms of their application by general management scholars. Starik and Kanashiro (2013) therefore offer several reasons why greater theorising about sustainability is required. Thus, partly heeding these calls for more theoretical contributions on sustainability (Starik and Kanashiro, 2013; Suddaby et al., 2011), this paper draws on complex systems theories and the key concept of rugged fitness landscapes in an attempt to outline a theory of why companies need to make more determined efforts to develop genuinely sustainable corporate strategies.

The aim of this paper is to integrate the notions of co-evolutionary systems change, fitness landscapes and corporate sustainable strategies in an attempt to synthesise our understanding of how and why organisations change over time with the observation of increasing rates of wider systemic changes. More importantly, I seek to illustrate that there is a much deeper (and arguably 'natural') reason for why firms must make greater efforts towards implementing sustainability strategies. The concept of the fitness landscape is a fundamental mechanism underlying evolutionary changes in general and organisations are not exempt from it. By framing sustainability challenges through this evolutionary complex systems perspective, my hope is to contribute to more instrumental discussions about firms' wider impact on nature and society.

The paper is organised as follows. I will begin by introducing complex system theory in general and then explain the concept of firms' fitness landscapes in more detail. Building on these theoretical foundations I then outline an argument for why from an evolutionary systems perspective developing more sustainable corporate strategies should be in firms' best self-interest. A final section offers a brief discussion.

THEORETICAL BACKGROUND

In the next two sections I provide the theoretical background necessary for understanding the impact of wider systemic changes on organisational sustainability. These sections on complex systems theories and rugged fitness landscapes draw on a range of existing literatures in an attempt to formulate a coherent conceptualisation of the way in which organisations evolve.

Complex systems theories

Systemic thinking is nothing new; in fact, it has first been employed by the ancient Greeks. Its application in a more rigorous and widespread manner, however, was said to have started by von Bertalanfy's (1969). Since then, a large literature has evolved across many natural and social sciences aimed at understanding the complex relationships between systems and their parts (e.g., Leonard and Beer, 1994, Umpleby and Dent, 1999).

With regard to organisations, complexity theories (Burnes, 2005; Dooley, 2002; Porter, 2006) have much in common with general evolutionary theories (Barnett and Burgelman, 1996; Burgelman, 1991; Lovas and Ghoshal, 2000); in addition, however, they fundamentally comprise a much more advanced understanding of change mechanisms. Rather than relying on pure internal and external selection processes (Burgelman, 1991; Hannan and Freeman, 1984) for understanding the creation, evolution, and death of organisations, complexity science combines paradigms of organisational change and inertia including different types of change behaviour and extends these perspectives by integrating recent findings from a wide range of scientific inquiries into the significance of 'self-organisation', and 'emergence' (Corning, 2002; Kauffman, 1993, 1995). Repeatedly, this understanding has been referred to in the sense-making processes of synthesising the theories of organisational adaptation and selection (Anderson, 1999; Dooley, 1997; Kelly and Amburgey, 1991; Levinthal, 1991; Stacey, 1995).

Among others, complexity theories study the characteristics and behaviour of so-called 'complex adaptive systems' (CAS) consisting of a multitude of individual units, or agents (Dooley, 1996 and 1997; Holland, 1995 and 2000; Lewin and Regine, 1999; Robertson and Caldart, 2008; Stacey, 1996). There are many different examples of complex adaptive systems (e.g., ant colonies and other social insects, stock markets, the global macro-economy, the biosphere, the brain and the immune system to name but a few) and, as is done here, commercial organisations can usefully be considered as a CAS (Beinhocker, 2006). CAS are characterised by having open boundaries to their environment in the sense that there is no impermeable layer separating them (and ultimately their agents) from external influences (Chaffee, 1985; Coleman, 1999; Thiétart and Forgues, 1995). The term 'environment' refers to the entirety of all surrounding social and environmental influences which an organizational system and its agents are exposed to.

Rugged fitness landscapes

A core mechanism behind complexity theory is the concept of 'rugged fitness landscapes' (Kauffman, 1993 and 1995). The concept was originally devised in the context of biological evolution (Kauffman, 1993) but has already been applied to, among many others, strategy (Beinhocker, 1999; Levinthal, 1997; McKelvey, 1999; Rivkin, 2000), innovation (Kauffman, 1995; Rivkin and Siggelkow, 2007) and organisational design (Levinthal and Warglien, 1999; Siggelkow and Rivkin, 2005). Of significance is the term "evolution, which we commonly understand as some form of longitudinal development, as any process of formation or growth[2]". More specifically, however, Beinhocker argues "we can think of evolution as the process by which species (or businesses) search for high points in their fitness landscape" (1999: 98).

[2] Evolution. (n.d.). Dictionary.com Unabridged (v 1.1). Retrieved July 17, 2008, from Dictionary.com website: http://dictionary.reference.com/browse/Evolution American Psychological Association (APA)

The underlying assumption behind this definition of rugged fitness landscapes is that the core purpose of an organisation is to "thrive and survive" (Coleman, 1999); in other words, the business is trying to maximise its organisational 'fitness', which comprises both 'economic and social fitness' (DiMaggio and Powell, 1983). This key assumption is based both on the shareholder wealth maximisation theory (Friedman, 1970) for profit *and* on the understanding that survival is *not only* a corollary of a firm's profit, but also of a host of other non-financial factors as exemplified by the concept of market and non-market strategies (Baron, 1995), obtaining legitimacy vis-à-vis stakeholders (Carroll, 1979; Donaldson and Preston, 1995; Jones, 1995) and general legislative compliance (DiMaggio and Powell, 1983). Profit and survival, while interrelated, are therefore not identical concepts, but both form integral parts of organisational fitness. Furthermore, "fitness is a complex combination of returns to exploitation, returns to exploration, and returns to reputation, market position, and capabilities built from past adaptations" (Anderson, 1999: 225).

Fundamentally, a fitness landscape defines the outcomes of internal organisational configurations designed to match or maximise goodness/fitness within a dynamic environment; a process which itself influences the shape and evolution of this fitness landscape. In other words, fitness landscapes can be conceptualised as a metaphorical map that symbolises the efforts of internal organisational adaptation to an external and changing environment.

There is, however, one caveat with respect to the general improvement of fitness. Consistent with the notion of complex adaptive systems, Cyert and March (1963) argued that rather than being able to maximise a certain objective (such as fitness), agents within an organisation tend to only 'satisfice' their goals. On the whole, however, the organisation strives towards maximising its fitness, and this overall fitness of the organisation is determined by a wide-ranging, interrelated set of elements (Porter and Siggelkow, 2008; Rivkin, 2000; Starik and Rands, 1995). "The attributes that determine fitness for an organization may comprise of elements of its business strategy, its human resource policy, manufacturing system, and so on. Fitness can be represented by profit, or by a mix of variables related to the organization's goals" (Levinthal and Warglien, 1999: 344).

More broadly, there is an argument that corporate strategy is an emergent phenomenon in the form of organisational behaviour, which in turn can be conceptualised as agents' adaptive response mechanism to their changing fitness landscape (Hamel, 1998; Mintzberg, 1978 and 1994; Stacey, 1995). Collectively, therefore, agents are trying to adapt to this changing fitness landscape in order to guarantee profit and survival, even if this behaviour may be differently enacted at an agent's individual or group level. "Actors are assumed to be intelligent, but that intelligence is local to their position on the landscape. Thus, actors are assumed to be able to identify the positive and negative gradients around their current position, but not capable of making similar judgements for more distant locales" (Levinthal and Warglien, 1999: 345).

This adaptive behaviour also has important consequences for both the organisation and the environment and is commonly summarised by the concept of 'co-evolution' (Kauffman, 1993, 1995b; McKelvey, 1999; Porter, 2006). Alternatively, co-evolution has been viewed as dynamic feedback in the form of information from the environment and other organisations, which tends to be either negative (self-limiting) or positive (self-reinforcing) (Starik and Rands, 1995). Porter (1979) covered this aspect to some extent in his more static framework evaluating a firm's market position

among five forces of industry competition. The effects of constant co-evolution between an organisation and its environment have a significant impact on the fitness landscape. "The landscape is not fixed, like a mountain range, but is constantly bucking and heaving. As the environment and the strategies of competitors change, the fitness attributable to any given potential strategy will also change. So the height of any particular point on the landscape is moving up or down over time. What is successful today may not be successful tomorrow" (Beinhocker, 1999: 98).

Ultimately, the fitness landscape varies from firm to firm over time, but similar firms in terms of industry sector and size may have similarly shaped fitness landscapes because of certain shared and relatively fixed features of their environment such as, for instance, industry regulation, customer base and requirements, supply chains, etc. The particular fitness landscape of an organisation is a function of a variety of determinants forcing it to assemble the optimum strategy configuration in order to maximise its fitness (Porter and Siggelkow, 2008). An organisation's fitness landscape is therefore the ultimate selection mechanism of its internal fitness which defines both its profit potential and survival chances.

"Evolution is sometimes characterised by biologists as a metaphorical uphill struggle across a 'fitness landscape' in which mountain peaks represent high 'fitness', or ability to survive, and valleys represent low fitness. As evolution proceeds, a population of organism in effect takes an adaptive walk across such a landscape" (Kauffman, 1995: 122).
In essence, changes in corporate strategy can be construed as organisational responses to changes in the fitness landscape, agents interpret as either threats to or opportunities for improved organisational fitness. In order to adapt to this changing fitness landscape the organisation needs to adjust and reconfigure all the necessary constituent parts of its corporate strategy. In that sense, fitness landscapes are inherent to the organisation in so far as that they are partly influenced by the configuration of organisational performance factors. At the same time, fitness landscapes represent the instant effects of external environmental dynamics that determine the level of fitness required by the organisation and which it needs to search for and match so as to achieve optimum performance.

In other words, fitness landscapes are simultaneously intrinsic and exogenous to the complex adaptive system. They are shaped not only by an organisation's evolution in the form of 'adaptive walks', but also by the constantly changing forces of co-evolution with the wider business environment (competitors, regulators, stakeholders, etc.). This ongoing process results in a dynamic model that explains the longitudinal nature of corporate strategy.

DEVELOPING AN EVOLUTIONARY SYSTEMS THEORY DRIVING SUSTAINABLE CORPORATE STRATEGIES

Having outlined the fundamental systems mechanics behind organisational evolution, in the following I develop a theoretical argument which has two main aims: First, to draw out an evolutionary systems perspective of firms operating at the intersection of increasingly challenging business environments; and second, to explain why companies will need to pay greater attention to sustainability issues. The line of argument is organised through key statements and paragraphs of supporting explanation:

Business organisations operate at the intersection of the natural and the social systems

At the highest level there are two main systems which influence human life and endeavour: One is the *natural system* which entails all natural resources and forces, wildlife, atmosphere, hydrosphere, lithosphere, biosphere (Starik and Kanashiro, 2013), carbon, water, and nutrient cycles etc. The other is the *social system,* which comprises all forms of human activities and tends to be contextualised and sub-categorised through spheres of economy, policy, society, and technology.

Within this nested arrangement of higher-level systems or 'holons' (Gladwin et al., 1995), organisations are located at the intersection (or dyad) of the natural and the social systems from which they draw their constituents and resources (Starik and Rands, 1995). Put differently, business firms are the pivotal 'organising mechanisms' that integrate and convert (parts of) the social and natural systems. Imported energy plays a crucial role in this conversion process as it enables agents inside the organisation to self-organise and thus maintain this conversion process (Anderson, 1999; Porter, 2006; Prigogine and Stengers, 1984).

The two systems function and change according to different time-scales

The natural system has evolved over long periods of time and changes tended to be mostly slow, at least from human perception. The social system, too, initially developed relatively slowly, but since the beginning of the industrial revolution there have been some very rapid changes. The result is that the evolution of the social system has been accelerating and the rate of change is increasing even further.

There used to be limited co-evolution between the two systems

Although there can be some significant overlap and interaction between the two systems (Waddock, 2013), at least historically this co-evolution was limited because the social and the natural systems were relatively decoupled from one another, i.e. rates of changes were not occurring at the same speed or were certainly not 'in sync'.

Capitalism derives its 'fuel' from the evolution of the social system

Schumpeter's (1942) theory of creative destruction sees capitalism evolving through revolutionary bouts of change and innovation in technology and societal values. As such, most of the changes driving and impacting firms were derived from factors emanating from the social system. Examples include technological inventions such as the steam engine, electricity, and the book print (e.g., Frenken and Nuvolari, 2004; Pascale, 1999), but also the wider application of scientific principles and reasoning.

Companies create value through adaptive searches on the fitness landscape

In a capitalist, market-driven world and in line with the theoretical foundations outlined above, firms survive and thrive by continuously searching for peaks in their fitness landscapes. These fitness landscapes were so far (almost exclusively) shaped by human actions and interactions such as, most importantly, competitors' moves, but also governmental legislation and regulation, new

technological inventions (e.g., the internet, the mobile phone), political and economic events (e.g., fall of the Berlin wall, the global financial crisis), social movements (e.g., anti-slavery, fair trade, organic products, ethical investments, etc.) and changes in consumer tastes and demands. By contrast, the natural system was perceived to serve as a (relatively) constant, reliable and predictable source of materials and energy inputs for organisations.

Rates of change in both the social and the natural systems are rapidly increasing

Increasingly, however, firms are struggling to configure new, quicker and adaptive searches in their strategy development because of accelerating rates of change in the social system which significantly reduce its predictability. These rates of change are best characterised by several 'megatrends' which include changing demographics (growing and ageing populations), increased mobility (urbanisation and a growing middle class), social challenges (inequality and unemployment), fluctuating geopolitics (power transitions, diffusion and a more polycentric world), health issues (shifting burdens of disease), technological innovations (information and communications revolution but also data privacy and security), and growing levels of individual empowerment (ESPAS, 2013; NIC, 2012; Oxford Martin, 2013; UN DESA, 2013). In addition, increasing inter-company interdependencies arising from rapid technological changes, shifting economic conditions and global competition for customers and market shares are responsible for further managerial planning uncertainty (D'Aveni, 1994; Eisenhardt, 2002; Mouzas and Ford, 2006)

Until the recent past, however, firms were at least able to take their use and availability of a stable natural system supplying 'unlimited' resources, cheap energy and waste sinks as more or less for granted. Combined with the widespread omission to account for externalities and subsidies for environmentally detrimental fuels (IEA, 2011), firms were operating in a business environment that artificially sheltered them and decoupled their adaptive strategy searches from the influence of the natural system. Even when there might have been conflict between economic and environmental factors, there were assumptions that the determinants of the economic social system would prevail (Drazin and Van de Ven, 1985).

Yet there is now increasing recognition that this too is changing because of the largely negative effects organisations are having on the natural system (Griggs et al., 2013; Waddock, 2013; Whiteman et al, 2013). Tellingly, all efforts to provide insights into our global future also refer to worrying challenges from sustainability and sustainable development as another key megatrend to watch (ESPAS, 2013; NIC, 2012; Oxford Martin, 2013; UN DESA, 2013). In fact, as the natural system begins to change at rates more rapidly than ever experienced by humans (e.g., climate change, loss of biodiversity, resource insecurities, emergence of the food-water-energy-health nexus), this directly and indirectly adds to the complicating influences on firms' fitness landscapes from those already generated through the increasing changes in the social system (cf., Waddock, 2013).

The two separate systems are increasingly beginning to co-evolve

In addition, there is now evidence to suggest that the natural and the social systems are beginning to co-evolve in unprecedented ways (Boons, 2013; Kallis and Norgaard, 2010; Porter, 2006; Stead and Stead, 2013); witness, for instance, the growing number of references to the 'anthropocene' (Crutzen and Stoermer, 2000) and 'wicked problems' (Camillus, 2008; Starik and Kanashiro, 2013). This

global phenomenon increases the unpredictability, complexity and difficulty of searching for peaks in strategic fitness.

Evolutionary fitness searches on a 'patchwork quilt'

One way to understand the impact of these growing rates of change in both the social and natural systems on organisational fitness searches is by means of adopting the metaphor of a 'patchwork quilt' (Kauffman, 1995). In an abstract form, the quilt represents a summary model of the global effects of increasingly co-evolving social and natural systems and thus acts as the ultimate selection mechanism of organisational fitness. In other words, the quilt signifies an imaginary dynamic business environment space within which firms compete and which determines commercial success and longevity.

Within this quilt, each patch symbolises an individual organisation that is coupled with, but not overlapping, several other patches (i.e., organisations) along the patch boundaries. In the economic sphere this is observable through market competition and supply chains tying firms together. (In reality, there could be many more connections than are physically possible on a two-dimensional quilt).

Each organisation (patch) is now individually trying to search for peaks on its particular fitness landscape. This requires adaptive walks in form of strategic (both deliberate and emergent) adjustments. But because organisations are interconnected (metaphorically along the patches and in reality through competitive and contractual webs) the result of such widespread 'selfish' adjustments means that organisations continually deform the fitness landscapes of all other organisations that are adjoined along the quilt. One potential outcome of this 'hyper-connectivity' (Wellman, 2001) and 'hypercompetition' (D'Aveni, 1994) may be that no organisation is able to find its fitness peak, and even if it does, the consequences of constant changes from organisational co-evolution will quickly lead to "forever shifting peaks," also termed the Red Queen effect (Kauffman, 1995).

This implies that the already difficult adaptive walks across the fitness landscapes are even further complicated by additional factors emanating from the natural system. More specifically, increasing rates of change and co-evolution in both systems lead to intensely coupled landscapes and therefore greater levels of ruggedness. These peaks in the fitness landscape represent optimum organisational strategy configurations to wider external conditions. Since both social and natural system conditions are becoming progressively connected and unstable, fitness peaks rise and disappear more frequently and their height varies more significantly. This high level of interdependency thus affects the ruggedness of the overall landscape (Robertson and Caldart, 2008).

It is these factors which all impair firms' search efforts (e.g., resource allocations, investment decisions, choice of target markets, business plan assumptions, etc.) for the highest peak on their fitness landscapes. In other words, firms trying to combine and configure the internal components of their organisational systems to enable these adaptive searches are faced with growing challenges of long-term planning, resource effectiveness and outcome uncertainty.

RESEARCH IMPLICATIONS AND CONCLUSION

This paper has integrated the notions of co-evolutionary systems change, fitness landscapes and corporate sustainable strategies in an attempt to synthesise our understanding of how and why organisations change over time with the observation of increasing rates of wider systemic changes. Drawing on complex systems theories and the key concept of rugged fitness landscapes I have attempted to outline a theory of why companies need to make more determined efforts to develop genuinely sustainable corporate strategies.

The suggestion is that the theoretical argument developed above serves as a constructive starting point for academic research and education to highlight the intrinsic interdependencies between the social and the natural systems as well as the impending necessity to act out of purposeful self-interest. Of course, this is not to denigrate other, more values-based theorisations that undoubtedly have led to changes in many people's mindsets. Rather, the aim is to further complement these approaches by appealing to those 'enlightened' individuals who are both rational and driven by values (Starik and Rands, 1995) as well as those who need purely rational explanations. It is my understanding that without such cognitive shifts many organisations may otherwise experience increased *ecological* selection pressures (Boons, 2013) in addition to those they were used to dealing with from the social system.

More specifically, what is needed from an academic research perspective partly relates to the call for greater quantification of ecosystems services for businesses. Such attempts to measure and define the inherent value of the natural environment should provide organisations with a useful starting point for a deeper engagement with their natural sources of input for value creation and the likely challenges arising as a consequence of ignoring and continuing with the status quo.

Moreover, it is of great importance for academic research to test this implicit link between corporate strategy and the difficulties of reconfiguring internal resources and strategies. In how far is the natural environment actively being considered in corporate level strategies? What are the mental models with which senior managers and executives try to make sense of their business environment and corporate evolution generally, including social and natural systems? What role does the natural environment play during the cognitive processes of strategy creation? Are there any constraints or obvious limitations? What data and information are managers relying on? How are their decisions framed and weighed up against other issues? How are random and emergent environmental events and factors perceived and interpreted during strategy implementation? Answering some of these questions might help us with better understanding and comparing managers' existing patterns of thoughts against the conceptualisation of the fitness landscape.

Once a high level picture has emerged, empirical research could then attempt to delve deeper into the intra-organisational processes of accounting for and responding to environmental challenges. How do they vary between different departments and functions, even employees of different seniority, age, level of education and experience etc.?

Finally, as suggested by Porter (2006), "Traditional distinctions between micro- and macrolevels tend to blur and lose meaning in coevolution research" (p. 486). In this paper, the conceptualisation frequently shifts between systemic, macro and micro levels. One important research stream could

therefore also investigate the degree to which organisations consider challenges arising from the natural system as global threats to not just their own organisation but also businesses in general. Does this acknowledgement change and affect organisations' way of thinking, for example by considering 'bigger patches', starting to think systemically and operating through various networks as detailed above? Who are the key initiators of this process? What arguments are being used to justify such approaches and what are the measures of success?

In the end, agents' (i.e., employees') personal interpretations and actions will influence and iteratively feedback with organisational, global and environmental information and actions. My hope is that increased understanding of the complex evolutionary processes occurring at all levels is contributing to more enlightened practices.

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Sustainability &
Sustainable Development

CONFERENCE THEME:
"Reclaiming the
Societal Dimension"

WHAT FALLS UNDER THE CORPORATE SUSTAINABILITY UMBRELLA? DEFINITIONS AND MEASURES

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Abstract: This literature review article aims to bring a better understanding to the field of corporate sustainability (CS) as studied by management scholars from 1995 to 2013. The authors summarize the different definitions and measures that have been adopted by management scholars working in the CS field in both academic and practitioner management journals. The results show that the CS field is still evolving and different approaches to define and measure CS have been used. Differences are also found between the literature that targets scholars versus the one targeting practitioners. The authors also provide a set of recommendations on how to advance the CS field.

Keywords: Corporate sustainability, sustainable development, literature review

INTRODUCTION

It is almost impossible to browse a company's website or its official reports without finding references to "sustainability" or "sustainable development". This has not always been the case. The last few years have brought an exponential increase in references to corporate sustainability (CS) and sustainable strategies. Business schools worldwide now hire professors in CS and most large companies hire employees to fill sustainability positions. Parallel to this movement, business scholars have increasingly focused on CS issues in their academic research. According to the Brundlandt report -the first document that introduced the "sustainable development" concept- businesses are said to have a crucial role in managing impacts of population in ecosystems, ecosystem resources, food security, and sustainable economies in order to decrease the pressure society place on the environment (WCED, 1987).

This increase in scholarly interest prompts the following questions that this study addresses: What exactly is CS? How is CS operationalized and measured? More importantly, do scholars agree -or need to agree- on a common definition of CS? Anecdotal evidence indicates that clarity does not yet exist on what CS means to business scholars. For instance, a single-question survey undertaken in July 2012 among management scholars in the Academy of Management's Organizations and the Natural Environment division asked respondents: "Please define corporate/business sustainability". Even though half of the 31 respondents agreed that CS involves the simultaneous management of

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three dimensions: profit (economic), people (social), and planet (environmental); a few definitions emphasized exclusively the planet (environmental) dimension of sustainability. Furthermore, even though "sustainable development" seems to be primarily focused on long-term performance, only five respondents mentioned the long-term component of CS. Overall, we see evidence that a common definition of CS is lacking. In fact, CS scholars (e.g., Reinecke, Manning, & von Hagen, 2012; Valente, 2012) often mention the ambiguity of the CS field.

Our goal is to organize the different CS definitions and measures applied by management scholars in a single article. Previous literature reviews looked at the evolution of related fields such as Corporate Social Responsibility (CSR) (Margolis & Walsh, 2003; Orlitzky, Schmidt, & Rynes, 2003) or the evolution of the business and the natural environment field (Bansal & Gao, 2006; Etzion, 2007) but not necessarily at the evolution of CS literature since it is a newer concept in management. A survey article like ours may therefore help to the advancement of the CS field. To achieve our goals, we adopt an inductive approach that presents a set of observations related to the CS field, followed by quantitative evidence from the literature review to validate them and ending with a set of recommendations for the future.

METHOD

To review the CS-related articles written by management scholars, we adopted a literature search approach based on previous review articles (Bansal & Gao, 2006; Montiel, 2008). The authors located articles by searching for keywords among the top academic management journals: *Academy of Management Journal, Academy of Management Review, Administrative Science Quarterly, Organization Science, Journal of Management, Management Science, Journal of International Business Studies, Journal of Management Studies, Organization Studies,* and *British Journal of Management*. All of these journals were included in Bansal and Gao's (2006) list, which was based on Cohen's (2006) list of the highest-quality journals. In addition, we followed Montiel (2008) in including four organizational behavior journals: *Journal of Applied Psychology, Personnel Psychology, Organizational Behavior and Human Decision Processes,* and the *Journal of Organizational Behavior* and one strategy journal: *Strategic Management Journal*. Furthermore, we also explored the top practitioner management journals to analyze if their CS definitions were aligned with those presented in academic journals. We used those listed in the Fortune Magazine list: *Harvard Business Review, Academy of Management Perspectives, California Management Review* and *MIT Sloan Management Review*. Finally, following Montiel's (2008) approach, we searched for CS-related articles in four social issues journals: *Journal of Business Ethics, Business and Society Review, Business Ethics Quarterly,* and *Business and Societ*y; and in two environmental management ones: *Organization & Environment* and *Business Strategy and the Environment*. We electronically searched the above-mentioned journals for the following term in either the abstract or the title: sustainab* (to ensure that the different variations used in the CS field such as "sustainable development" "sustainable strategies", "business sustainability or "environmental sustainability" and "sustainability," were captured). In addition, in order to also quantify the total amount of research published in this research stream we also searched for the keywords: social responsibility, social performance, environmental performance, and environmental strategies (including proactive and voluntary environmental strategies). We undertook this search using the Business Source Complete database (EBSCO search engine). We limited the search to titles and abstracts published from 1995 to 2013, nearly 20 years, ensuring that we covered the entire period that term "CS" has been used in management research.

TABLE 1. Corporate Sustainability-related Definitions in Top Academic Management & Practitioner Management Journals

Terminology	Definition	References
Sustaincentrism	Process of achieving human development in an inclusive, connected, equitable, prudent, and secure manner. Sustainable development components are: 1. inclusiveness (environmental and human systems, near and far, present and future); 2. connectivity (world's problems interconnected and interdependent); 3. equity (fair distribution of resources and property rights); 4. prudence (duties of care and prevention); and 5. security (safety from chronic threats) (p. 878).	Gladwin, Kennelly, & Krause 1995
Ecological Sustainability	It can be achieved through four different mechanisms: 1. Total quality environmental management; 2. Ecological sustainable competitive strategies; 3. Technology-for-nature swaps; 4. Corporate population impact control.	Shrivastava 1995
"Ideal" Sustainable Organization	Takes a systems perspective to describe organization that will not use natural resources faster than the rates of renewal, recycling, or regeneration of those resources (p. 122)	Marshall & Brown, 2003
Sustainable Development	States that the Brundtland definition is not really a definition but a slogan; emphasizes that sustainable development is managed through ethnocentric, capitalistic notions of managerial efficiency (sustainable capitalism).	Banerjee, 2003
Corporate Sustainable Development	Based on three principles: 1. economic integrity; 2. social equity; and 3. environmental integrity (p.198) (see more detail in Table 4).	Bansal, 2005
Sustainability	Building a society in which a proper balance is created between economic, social, and ecological aims. For businesses, this involves sustaining and expanding economic growth, shareholder value, prestige, corporate reputation, customer relationships, and the quality of products and services. It also means adopting and pursuing ethical business practices, creating sustainable jobs, building value for all of the company's stakeholders, and attending to the needs of the underserved (p. 628).	Szekely & Knirsch, 2005
Sustainability	Firms need to integrate six perspectives: 1. Regulatory compliance; 2. Incremental mitigation; 3. Value alignment; 4. Whole system design; 5. Business model innovation, and 6. Mission transformation (pp. 13-14)	Markevich, 2009
Sustainable Development	One of the three key strategic capabilities in the natural-resource-based view (NRBV) (along with pollution prevention and product stewardship); has evolved in two distinct areas: clean technology and base of the pyramid (BoP) strategies (p. 1470).	Hart & Dowell, 2011
Sustaincentric Orientation	An ongoing process of equitably including a highly interconnected set of seemingly incompatible social, ecological, and economic systems through collaborative theorization of coordinated approaches that harness the collective cognitive and operational capabilities of multiple local and global social, ecological, and economic stakeholders operating as a unified network or system (p. 586).	Valente, 2012 (based on Gladwin, Kennelly, & Krause, 1995)
Sustainability	Based on the GRI Reporting Framework, sustainability not only encompasses aspects such as philanthropy and pollution but also a broad range of social, environmental and governance metrics (p. 76)	Peloza et al., 2012

The year 1995 is also the when the Porter hypothesis was published, which discussed how stricter environmental regulation would trigger innovation in business (Porter & van der Linde, 1995).

Defining Corporate Sustainability

Several definitions of corporate sustainability have been used in the management literature. In Table 1, we present definitions that have been published in top academic management journals and practitioner journals respectively. In this table may be seen as indicators of how and which CS definitions have crossed over from a specialized CS discussion to the general management publications.

Observation 1: A standardized definition of CS does not exist.

The origin of the CS concept is mainly linked to the Brundtland report's (1987) definition of "sustainable development" as "development that meets the needs of the present without compromising the ability for future generations to meet their own needs." One of the definitional components of CS relates to the long-term perspective described in Bruntland's (1987) report.

The concept first appeared in the general management literature in 1995 when Gladwin, Kenelly, and Krause (1995) described sustainable development as a process of achieving human development in an inclusive, connected, equitable, prudent, and secure manner. However, the first attempts to operationalize the construct did not appear until ten years later. In 2005, Bansal (2005) defined "corporate sustainable development" (CSD) as a tridimensional construct based on economic integrity, social equity, and environmental integrity. More recently, Hart and Dowell (2011) claim that sustainable development is one of the three natural resource-based view's (NRBV) key strategic capabilities (along with pollution prevention and product stewardship). According to Hart and Dowell (2011), this strategic capability evolved in two distinct areas: clean technology and base of the pyramid (BoP) strategies. They state that a sustainable development strategy "does not merely seek to do less environmental damage but to actually produce in a way that can be maintained indefinitely into the future" (2011, p. 1147). The most recent definition in refers to the "sustaincentric" orientation of the firm (Valente, 2012), which is described as a step toward a proactive orientation to sustainability. Firms need to find ways to interconnect social, economic, and ecological systems using "coordinated approaches that harness the collective cognitive and operational capabilities of multiple local and global social, ecological, and economic stakeholders operating as unified network or system" (p. 586).

Discussions about CS in the practitioner literature also refer to the Brundtland definition of sustainable development (Bansal, 2002). However, even though it is the definition par excellence it is found to not provide any guide for action (Marshall & Brown, 2003). One interesting definition of the "ideal" sustainable organization from a systems perspective describes the organization as one that will not use natural resources faster than the rates of renewal, recycling or regeneration of those resources (Marshall & Brown, 2003). Another definition identifies six different perspectives encompassing CS: regulatory compliance, incremental mitigation, value alignment, whole system design, business model innovation, and mission transformation (Markevich, 2009).

Finally, we also found critics of Brundtland's definition of sustainable development. Banerjee (2003) states that the definition is a slogan emphasizing the need for development through capitalistic notions of managerial efficiency rather than taking an "ecocentric" approach.

Researchers (e.g., Hart & Dowell, 2011; Hart & Milstein, 2003) claim that CS is a complex concept. Evidence for that claim can be seen in most of the CS definitions found in both academic and practitioner journals. As an example, Szekely and Knirsch (2005) definition calls for the need to balance the three CS pillars to then list ten different dimensions to be sustained: (i) economic growth, (ii) shareholder value, (iii) prestige, (iv) corporate reputation, (v) customer relationships, (vi) product quality, (vii) ethical business practices, (viii) sustainable jobs creation, (ix) value creation for all the stakeholders, and (x) attention to the need of the underserved. Even though we would agree on the need to sustain all these different dimensions, this description may seem overwhelming to the eyes of any researcher attempting to measure firms' CS.

Our literature review also shows that there is ambiguity about whether CS should be a tridimensional construct (economic, social, and environmental), a bidimensional one (social and environmental) or a synonym for environmental management. Some scholars identify the concept of CS exclusively in terms of its environmental dimension (Marshall & Brown, 2003). To minimize this ambiguity, we propose using "corporate sustainability" for the tridimensional construct and "corporate environmental sustainability" when the focus is on the environmental aspects. In fact, the first mentions of CS in management literature are found in 1995 when scholars introduced "ecological sustainability" (Shrivastava, 1995). Likewise, if one aims to only analyze economic or social aspects, the correct terms to use would be "corporate economic sustainability" or "corporate social sustainability," respectively.

If we compare definitions presented in academic journals with definitions in practitioner journals (see Table 1) a few differences are found. Practitioner-focused definitions tend to be more prescriptive trying to provide guidelines to managers on how to pursue CS while academic-focused definitions tend to be more holistic, complex and philosophical with the exception of a few empirical studies that have worked on operationalizing their CS theoretical constructs (e.g., Bansal, 2005).

Measuring Corporate Sustainability

From our literature review, we are able to present the different approaches used when trying to value and measure the level of sustainability at the organizational level. Studies working towards the improvement of measures of a particular CS dimension exist (e.g., for the environmental dimensions see Walls, Berrone, & Phan, 2011; Delmas, Etzion, & Nairch-Birch, 2013). However, our purpose is to analyze those studies that have attempted to measures the three CS dimension simultaneously.

Observation 2: A standardized method to measure CS does not exist.

The review highlighted that one of the most important challenges in the CS field is to find a standard method for valuing CS. Most CS-focused articles either described facts or present case studies of "success" (e.g., Stubbs & Cocklin, 2008). CS empirical articles tend to rely on data

TABLE 2. Examples of Corporate Sustainability Measures from Secondary Sources

Source	Measures		Selected Studies	
KLD FTSE KLD 400 Social Index	Corporate governance Product quality and safety Employee relations Diversity Human rights Community relations Environment		Agle , Mitchell, & Sonnenfeld, 1999 Barnett & Salomon, 2012 De Villiers, Naiker, & van Staden, 2011 Delmas, Etzion, & Nairn-Birch, 2013	Doh, Howton, Howton, & Siegel, 2010 Johnson & Greening, 1999 Kang, 2013 Turban & Greening, 1997 Waddock & Graves, 1997 Walls, Berrone, & Phan, 2012
Dow Jones Sustainability Index SAM Corporate Sustainability Assessment Dow Jones Sustainability Index EURO STOXX	Economic 1. Corporate governance 2. Risk and crisis management 3. Codes of conduct/compliance/corruption and bribery 4. Customer-relationship management 5. Brand management 6. Supply chain management 7. Privacy protection	Social 1. Social reporting 2. Labor practice indicators and human rights 3. Human capital development 4. Talent attraction and retention 5. Corporate citizenship philanthropy 6. Stakeholder engagement Environmental 1. Environmental reporting 2. Environmental policy/management system 3. Operational eco-efficiency	Cheung, 2011 Hartman, Rubin, & Dhanda, 2007 Kurapatskie & Darnall, 2013 Lackmann, Ernstberger, & Stich, 2012 Maas & Liket, 2011	
Global Reporting Initiative (GRI)	Economic • Economic performance • Market presence • Indirect economic impacts Social • Labor practices and decent work • Human rights • Society • Product responsibility	Environmental • Materials • Energy • Water • Biodiversity • Emissions, effluents and waste • Products and services • Compliance • Transport	Bos-Brouwers, 2010 Etzion & Ferraro, 2010 Fifka & Drabble, 2012 Jensen & Berg, 2012 Weber, 2012	

TABLE 3. The Three Dimensions of Corporate Sustainability

Dimension	DJSI	GRI	Bansal, 2005	Kolk, Hong, & van Dolen, 2010
Economic	1. Corporate governance 2. Codes of conduct/compliance, corruption and bribery 3. Risk and crisis management 4. Customer relationship management 5. Innovation management	1. Economic performance 2. Market presence 3. Indirect economic impacts	1. Established government relations 2. Reduced costs of inputs 3. Reduced costs for waste management for same level of outputs 4. Used waste for revenue 5. Differentiated product on environmental performance 6. Created spin-off technologies	1. Employee compensation 2. Donation/community spending 3. Local sourcing/local hiring/taxation
Social	1. Human capital development 2. Talent attraction and retention 3. Occupational health and safety 4. Stakeholder engagement 5. Social reporting	1. Labor practices and decent work 2. Human rights 3. Society 4. Product responsibility	1. Considered stakeholder interests 2. Communicated environmental risk 3. Improved health and safety issues 4. Protected local communities' rights 5. Improved facility's visual aspect 6. Funded local community projects	1. Labor/management relations 2. Occupational health and safety 3. Training 4. Equal opportunity 5. Child labor/force labor 6. Society: community, volunteer program 7. Society: corruption, equality, and mutual benefit 8. Product responsibility: consumer health and safety, labeling, marketing communities
Environmental	1. Environmental management system 2. Environmental performance 3. Climate strategy 4. Product stewardship 5. Biodiversity	1. Materials 2. Energy 3. Water 4. Biodiversity 5. Emissions, effluents, and waste 6. Products and services 7. Compliance 8. Transport 9. Overall	1. Reduced products' harmful environmental impacts 2. Reduced environmentally damaging inputs 3. Used inputs from renewable sources 4. Reduced environmental impacts of processes 5. Reduced operations in environmentally sensitive locations 6. Reduced likelihood of environmental accidents 7. Reduced waste 8. Re-used waste 9. Disposed waste responsibly 10. Handled toxic waste responsibly	1. Recyclable materials 2. Energy conservation 3. Emissions and waste

provided by different sources, such as the KLD Indices, the Global Reporting Initiative (GRI), or the Dow Jones Sustainability Index (DJSI). Although there seems to be some agreement on how to measure the environmental dimension of CS, it is unclear how the economic and social dimensions can be best measured.

In this section, we provide examples of the two main empirical approaches used to measure CS. Several academic articles use secondary sources of data compiled by different types of institutions to analyze and compare firms' CS. Other researchers created their own constructs and scales to measure the three pillars of CS. Most of the empirical studies on CS outsourced the measurement of CS dimensions. By "outsourcing," we mean that they used external organizations that had already created scales and instruments to quantify the level of CS achieved by different companies. Table 2 summarizes the most widely applied secondary sources of CS used in extant studies and lists the variables that they quantify for each of the three sustainability dimensions.

The rating systems created by different organizations serve as one source of CS information. Examples include KLD, the Dow Jones Sustainability Index/SAM, the Ethibel Sustainability Index, and the Calvert Social Index (e.g., Fowler & Hope, 2007). Other sources are CS reporting guidelines and codes of conduct such as the Global Reporting Initiative (GRI) and the United Nations Global Compact (UNGC). Researchers in the management field (e.g., Bos-Brouwers, 2010; Kurapatskie & Darnall, 2013; Weber, 2012) mainly used KLD ratings, the Dow Jones Sustainable Index (DJSI) and the Global Reporting Initiative (GRI) to measure CS and to compare firms' corporate sustainability performance. Standard & Poor's, Dow Jones Indices, and SAM collaboratively maintain the DJSI. In addition to the global index, indices are published for Europe, North America, Asia Pacific, and South Korea. Management researchers used DJSI to identify exemplary sustainable corporations (e.g., Hartman, Rubin, & Dhanda, 2009) and as a proxy for CS when examining the relationship between firm performance and CS (; Cheung, 2011). GRI is a non-profit organization that aims to guide firms on the creation of standardized sustainability reports. GRI divides CS into three areas: economic (economic performance; market presence; indirect economic impacts), environment (materials; energy; water; biodiversity; emissions, effluents, and waste; products and services; compliance; transport; and overall), and social (labor practices and decent work; human rights; society; product responsibility). Researchers consider GRI to be a leading guideline for creating sustainability reports and for analyzing firms' sustainability reports.

Researchers have also collected their own primary data on CS and created their own CS constructs. We would like to highlight two of those studies that have explicitly proposed items to measure each of the three CS dimensions. First, Bansal (2005) created 22 items to measure corporate sustainability development: six economic prosperity items, six social equity items, and ten environmental integrity items. Chow and Chen (2012) applied the same list of items in the Chinese business context. Second, Kolk, Hong, and van Dolen (2010) also examined companies in the Chinese context and proposed three economic dimensions, eight social dimensions, and three environmental dimensions. In Table 3, we list the items for each of the three pillars.

Table 2 provides a quick overview that compares the different items integrated in each of the three CS dimensions by different sources. In this table, we choose to compare only those sources that have explicitly divided their variables into the three dimensions: economic, social and environmental. We therefore compare DJSI versus GRI first to then compare Bansal (2005) versus Kolk et al

(2010). We found several common variables between the different tools but we would like to point out what stands as different among them.

Among the secondary sources used by scholars to account for CS, corporate governance[1] aspects are used as an item in the economic sustainability component in the DJSI but not in GRI. Another difference is that GRI is concerned with "indirect" economic impacts that are not mentioned by the DJSI. Looking at the social dimension, DJSI is concerned with attracting and developing employees, engaging stakeholders and reporting social issues while GRI is more concerned with broader human rights and impacts on society. In the environmental dimension, GRI seems more exhaustive than the DJSI. Environmental compliance is listed in GRI but not in the DJSI. Interestingly, both CS tools include "product responsibility/stewardship" but classify it differently, GRI in the social dimension and DJSI in the environmental one.

Regarding the primary sources, although some similarities are evident between the systems used by Bansal (2005) and Kolk et al. (2010) to operationalize the economic, social, and environmental items, some aspects are considered by one study but not the other. For example, Bansal (2005) considers reducing cost of inputs and waste management for the same level of outputs in the economic dimension, while Kolk et al. (2010) emphasizes employee compensation and local practices (sourcing and hiring) as important items in this dimension. Overall there seems to be more agreement in these two primary sources than in the secondary sources.

CONCLUSIONS

This literature review article aims to advance on the understanding of the CS field as studied by management scholars. First, we identified different CS definitions emphasizing one, two or the three dimensions: economic, social and environmental. We proposed the use of alternatives terms such as "corporate environmental sustainability" when referring to the environmental aspects of sustainability. Then, we summarized the main primary and secondary based measures used by scholars to value CS.

Overall, we conclude that, to date, academic research has failed to effectively inform management practice about sustainable development. One issue scholars may examine further is whether the CS phenomenon is driven by business practitioners or by business scholars. Who defines and standardizes CS definitions and measurements? If CS is a practitioner-driven phenomenon, scholars need to ask what contribution they can make to the CS field. Should we wait to see how companies develop their CS approaches and then analyze the effectiveness of those approaches? Should we take a prescriptive role and design standardized metrics for companies to use when evaluating their CS levels? These are important questions that need to be addressed in order to guarantee that our work in this field makes practical contributions to the business world and that it does not get lost in the myriad of published research. Our study shows that most discussion on CS is taking place in practitioner journals, which may indicate that the evolution of the CS field is business driven. In addition, there is the issue of the weighting of each of the dimensions. Are the three dimensions—economic, environmental, and social—equally important? Similarly, do the different items within

[1] In fact, some rating agencies such as Innovest consider Governance as the fourth dimension of CS.

each of the dimensions deserve equal weights? These are questions that we would need to address in the further development of our field.

This study is not without limitations. One noteworthy aspect of our literature search, which may be seen as a limitation, is that we were interested in research that used, defined and/or measured sustainability aspects of the firm. Therefore, other related research did not appear in the search unless they use one of our keywords. For instance, there may be some CS related studies devoted to topics such as energy conservation or renewable energy that if they did not use any of our keywords may not appear in this review. However, we are confident that most of the CS relevant articles have been tracked down with our set of keywords.

Finally, we envision a process through which non-financial information (sustainability data, including social and environmental data) can become part of the core business, and through which a standardized system of non-financial performance accounting and reporting can evolve. We can easily compare the financial performance of two firms by looking at their financial statements (balance sheets, income statements, etc.). In the future, we hope to have "sustainability balance sheets and statements," which will allow us to objectively value firms' non-financial performance, and to compare firms and sectors. However, these "sustainability balance sheets" will surely be more complex to design, complete, and update due to the long-term considerations of CS. Some of the parameters will need to account for long-term issues, such as the status quo relative to past performance (e.g., the present versus the situation 10 years ago). Even though achieving such CS accountability will present challenges, we believe that it will be easier to institutionalize over time once the CS indicators have been agreed.

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Sustainability & Sustainable Development

CONFERENCE THEME: "Reclaiming the Societal Dimension"

SUSTAINABILITY MANAGEMENT: A NEW CAREER PATH?

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Abstract: The need for including sustainability in higher education curricula and defining the role of higher education institutions in teaching for sustainability has been much discussed in literature. A rather new career has emerged with the advancement of sustainability change programs in organizations. Which key capabilities constitute a good sustainability manager and how best to educate them is yet to be defined. Based on the recent developments in the field there is a need to define this new career; including the competency requirements and the current roles in sustainability leadership. The current research is based on a qualitative inquiry involving ten sustainability managers of publicly listed companies in Turkey. A competency map is used for guiding the questions. The findings address the issues on the role of business schools on education for sustainable development. It defines sustainability management as a new career path for future graduates.

Keywords: sustainability management; education for sustainable development; managers; Turkey

INTRODUCTION

Increasingly organizations are expected to pay attention to their economic, social and environmental effects of their operations (Quinn & Dalton, 2009). As well, organizations have started to include sustainability as a part of their strategies for long-term business survival and success (McCann & Holt, 2010). Top management of large companies find sustainability as important to their company's future success (Visser & Courtice, 2011). A rather new career has emerged with the advancement of sustainability change programs in organizations. Experts with knowledge and experience in the field of sustainability are much needed by public and private companies and consultancy firms. Which key capabilities constitute a good sustainability manager and how best to educate them is yet to be defined. The aim of this research is to explore the roles of the sustainability managers in their organizations and the required competencies of these positions. The answers to these questions are important for both higher education institutions as well as recruitment and talent managers. Another important question to be answered within this context is whether sustainability managers have gained strategic and long lasting positions in their organizations. The results will strengthen the argument for sustainability education and also better guide new graduates that are interested in this field of study.

LITERATURE REVIEW

The objective of sustainable development is to create the best possible solutions for the customers, the stakeholders and the society. Sustainable business development (SBD) can be viewed as a process of moving towards sustainability (Leadbitter, 2011). It can also be seen as more of a

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business oriented perspective of sustainable development. Rainey (2010, p:102) defines it as "creating economically sound, socially responsible and environmentally conscious products and processes that maximize value creation and benefits, and minimizes degradation of human health". An important question raised in the literature is how to progress the path towards SBD? (Adomßent et al, 2014). There are strong calls for strong and courageous leadership to drive sustainability in organizations (Brown, 2012). Using the principles of SBD strategic leaders are expected to become the architects of change in organizations. Leaders need to deal with the issues of sustainability while they continue to steer their organizations through rough times (Faber, Jorna, & Van Engelen, 2005).

Scholars are studying sustainability leaders in terms of their skills, traits and abilities (Quinn & Dalton, 2009); yet one question to be answered is how different are they from traditional (conventional) leaders (Hesselbarth & Schaltegger, 2014). It is claimed that they need to be different because sustainability leaders have "new ways of seeing, thinking and interacting that result in innovative solutions" (Sustainability Leadership Institute, 2014). Ferdig (2007) asks three important questions regarding who these leaders are 1) who counts as a leader; 2) the roles of a leader; and 3) where a leader stands in relation to those he or she leads and to the holistic inter-connections that support life. Sustainability requires organizations to move beyond compliance, efficiency or just being green (PWC, 2014). It is often described as a continuum that starts with rejection and non-responsiveness and moves into compliance and efficiency and reaches strategic sustainability and ideological commitment (Dunphy & Benveniste, 2000). Leaders must set direction, create alignment and maintain commitment for this shift in perspective (Quinn and Dalton, 2009). In his exploratory study Brown (2012) studies the action making logic of leaders with post-conventional consciousness. And he proposes that these leaders have three common attributes; 1) they design from a deeper inner foundation, 2) access powerful internal sources and theories to distill and evolve design; and adaptively manage design. Most important of all they should have the ability and sustainability knowledge to make the move towards sustainability (Opoku & Fortune, 2011).

According to a study by Cambridge University organizations can advance the move towards sustainability through two ways. They can make the function of sustainability more strategic. This can happen when a sustainability department works closely with the top management and contributes to strategic decision making. It can also happen when all leaders are made responsible from sustainability (Center for Excellence in Leadership, 2011). Some argue that change agents for sustainability do not necessarily have senior management roles; they can be on all levels, internal and external to an organization (Hesselbarth & Schaltegger, 2014). The definition can be extended to anyone who encourages change for sustainability regardless of the role or position (Ferdig, 2007).

In the literature the study of sustainability leadership is still in its early stages (Quinn and Dalton, 2009) and it is studied under different names; corporate social responsibility leadership (Kakabadse & Kakabadse, 2007); environmental leadership (Dechant & Altman, 1994); ethical leadership (Banerjea, 2010); and responsible leadership. In organizations sustainability leaders are commonly found in the titles of Corporate Communications Manager, Corporate Social Responsibility Manager, Environmental Manager and Sustainability Manager/Director (Rands, Ribbens, & Connelly, 2008). The literature differentiates between a corporate social responsibility (CSR) manager and a sustainability manager. A CSR manager is involved with how companies engage in *societal issues* on a voluntary basis, usually in collaboration with stakeholders, with an emphasis on public relations (Leadbitter, 2011). On the other hand a sustainability manager is engaged with

addressing the *longer–term strategy of the organization* regarding its core business and commitment to innovation in moving the business toward sustainability (Leadbitter, 2011).

A number of declarations on higher education for sustainable development have been adopted in the last years by institutions (Lozano, Lukman, Lozano, Huisingh, & Lambrechts, 2013). In guidance of these declarations many institutions have adopted sustainability into their education curricula and have created sustainability related programs (Hatipoglu, Ertuna, & Sasaidharan, 2014). There are numerous management programs around the world that offer degrees in sustainable management. A book named "A Resource Guide for MBA Careers in Sustainability" mentions nine different careers paths for M.B.A. graduates in sustainability; corporate social responsibility and sustainability; consulting; sustainable real estate and green building management are some of these paths among others (Kross, 2014). On the other hand, in light of the recent governance scandals and other global issues (climate change, environmental disasters) the success of these programs is also questioned in the literature (Adomßent et al, 2014).

The study of the literature suggests that there is demand for leaders that are knowledgeable and accredited in SBD and sustainability management is finding its place as an accepted and reputable career path (Visser & Crane, 2010). However a recent article in *The Guardian* is highly skeptical and says the opposite.

> *But it's time to meet reality. Demand for sustainability jobs is enormous and openings are few and far between. Formal sustainability roles, even in the world's largest corporations, often fail to reach double figures. Nor is the timing great. Sustainability in general has suffered a "setback" with the global recession of recent years, says Paul Gosling, managing director for the UK and Europe at specialist recruiter Allen & York" (Balch, 2013).*

Whether there is place for so many graduates specialized in sustainability or whether organizations give additional value to this knowledge are questions that need to be yet answered.

In light of the literature the general aim of research is to explore the roles of sustainability managers in leading change toward sustainability in their organizations. In particular, the research seeks to investigate the roles of the sustainability managers in their organizations and the required competencies of these positions. The study setting of the research is Turkey. As a fast growing emerging market, Turkey receives an ongoing interest from foreign investment funds. Certain interest into sustainable business development in the last decade and the new business initiatives that have started make the study setting important. There are numerous environmental management programs and a sustainable tourism management degree offered in the country however there is no sustainability management program as of now.

Turkish companies have had philanthropy programs for a long time. Similar to other developing countries philanthropy is seen as a function of balancing social imbalances in the country. Leading Turkish companies have had also years of experience with quality management programs and the relevant ISO standards. Many environmental and social standards are being adopted during the process of EU membership. However, sustainability management is a new concept for organizations. Only recently titles such as sustainability manager or corporate social responsibility officer are given to managers. Global Reporting Initiative (GRI) reporting is also limited which

started with Aksa Acrylic Company in 2005. There are 34 companies that have followed GRI reporting standards for 2013 in the country (Kurumsal Sürdürülebilirlik, 2014). Then again, there is a growing interest in sustainable business development among organizations[2]. Recently Anadolu Efes, beverage group, has become the first Turkish company included in the Dow Jones Sustainability Index. The Istanbul Stock Exchange (Borsa Istanbul) is in the process of launching the first sustainability index (BIST 30 Sustainability Index) in the country. It is expected that the launch of this index will encourage organizations to integrate ESG (environmental, social, ethics and corporate governance) variables into management practices (Conde, 2014). The roles sustainability managers take in the sample organizations and their projects will display the relative importance of sustainability management in these pioneering organizations. Higher education institutions need support for integrating sustainability management into their educational programs and this paper demonstrates whether there is need for sustainability management education. The next section describes the method of study.

METHODOLOGY

This study utilizes a qualitative research approach using in-depth and semi-structured interviews with managers. Quinn and Dalton (2009) find qualitative approach suitable for studying sustainability leadership for three reasons; 1) the use of interpretive methods are more appropriate to study sustainability because there is no single, rigid methodology for studying the subject; 2) a deeper understanding is possible; and 3) it suits phenomena that is at its exploratory phase.

Framework

How best to educate the future leaders to face the challenges of sustainability is a concern for higher education institutions. Hesselbarth & Schaltegger (2014) studied the alumni of the MBA Sustainability Management Program at Leuphana University Luneburg, Germany. The scholars surveyed their last ten years' alumni and analyzed the results in terms of subject specific; methodological; special; and personal competencies. Their findings confirmed that sustainability managers need a new set of competencies that are different than the conventional managers. Hesselbarth & Schaltegger (2014) propose the use of a competency matrix, which contains ten new job duties and fields of activity; they are 1) identify and develop the business case for sustainability; 2) present attractive solutions to gain top management commitment; 3) participate in strategy development; 4) integrate sustainability aspects into core business and core processes; 5) design and direct a sustainability management system 6) conduct sustainability audits 7) measure sustainability performance 8) support managers and teams to improve sustainability performance 9) networking with various stakeholders 10) communicate sustainability performance credibly. These competencies, they suggest, can guide the higher education institutions.

Based on Hesselbarth & Schaltegger's (2014) proposed "Competency Matrix for Change Agents for Sustainability" questions for the semi-structured interviews were prepared. Additionally, ten new questions were added that helped to reveal the positioning of the sustainability manager within the organization, the projects that the manager is part of and their opinions on sustainability education.

[2] A total of 61 Turkish companies started GRI reporting prior to this (Kurumsal Sürdürülebilirlik, 2014).

Sample

Reaching key informants that will provide insightful information into the phenomenon is important for qualitative research. Small sample size is not a concern but debt and detail are important in qualitative research (Miles & Huberman, 1994; Patton, 2001). For that reason the researcher have employed purposive sampling and in guidance of the literature have chosen sample companies that are following the GRI guidelines. The GRI guidelines have become a popular framework for voluntary corporate reporting of environmental and social performance (Levy, Brown, & DeJong, 2010). For the purpose of this research GRI reporting is taken as a sign of commitment to SBD. Among the 56 companies following GRI guidelines initial contact was made with sixteen companies and for this study the results of ten interviews were included in the analyses (As shown in Table 1: Respondents' Breakdown). The interviews were conducted with managers that had the most senior position in involvement with sustainability issues in their organisations.

Table 1: Respondents' Breakdown

Company Code	Size of the organization*	Industry	Type of Organization	GRI Reporting Since
01	Large	Cement	Publicly Listed Joint-venture	2007 - 2009
02	Large	Manufacturing	Publicly Listed MNC	2007
03	Medium	Automotive	Publicly Listed Joint-venture	2012
04	Large	Manufacturing	Publicly Listed MNC	2007
05	Large	Electric Equipment	MNC-foreign Owned	2005
06	Large	Airport Services	Publicly Listed MNC	2012
07	Large	Banking	Publicly Listed	2008
08	Large	Telecom	Publicly Listed	2008
09	Medium	Energy Utilities	Publicly Listed	2010
10	Large	Retailing	Publicly Listed	2012- Within the annual report

*based on the number of employees: Small: 500; Medium >1,000; Large 1,000 and above

Analysis

Each interview lasted between one and two hours. They were taped and notes were taken during the site visits. The collected data were transcribed verbatim. The qualitative software NVivo (version 9.0) was used to manage and analyze the data. An initial coding book was prepared in guidance of the ten dimensions of the Competency Matrix for Change Agents for Sustainability. Between first and second rounds of coding, literature was reviewed until the researcher felt confident on the definitions and names of the codes. Content analysis was used to identify themes that emerged from the data.

There are certain limitations to the study despite best intentions of the researcher. The results are context specific therefore the generalizability of the research may only be suggested for the countries that are in the same developmental phase of sustainability. The organizations that are included in the sample are also in different stages on the sustainability continuum. There are certain patterns

appearing from the data; a larger sample size can help to better identify these patterns. Interviews with top management and human resource management departments can also improve the wholeness of the results and can add a broader view. This research has attempted to understand the subject only from the corporations' point of view; however NGOs, consultancy companies and government agencies can also add knowledge to this study topic.

RESULTS

Sustainability as a Career Track

The demographic study of the sustainability managers has shown a certain pattern about their profiles and their learning experience (As shown in Table 2). All the managers have graduated from reputable universities in the country and engineering, environmental management and social studies are the common undergraduate degrees. This finding is parallel to what was found in previous literature by Rands, Ribbens, & Connelly (2008, p. 182) in their study about sustainability coordinators of university campuses. Besides the two that have environmental management degrees (Respondents 01 and 06) the rest had never taken courses about sustainability management through their formal education. A couple of them have tried to compensate for this gap through completing a short certificate program on sustainable management offered by the Adult Education Center of a local university. Some of them admitted that they have taken help from consultancy companies. One respondent have had specific experience in sustainability projects in Europe and the US (Respondent 08). Therefore she did not feel that she needed extra classroom learning but she followed international conferences and online articles, which was common for the other respondents. Another company managed the process without external help.

> *When we first started to work towards business sustainability with top management we decided not to hire any consultancy services but to learn on our own. So we started with reading and having brainstorming meetings. We believe that we know our business better than any consultancy company, therefore we choose to learn at our own pace and applied projects that best suit our company needs. We continue to increase our knowledge base through combining secondary knowledge with our experiences gained through projects (Respondent 02).*

Majority of the respondents had a personal interest in the issues of sustainability before taking their relevant positions. Currently all of the respondents have strong ties with sustainability related NGOs and they are voluntarily contributing to their projects. Three of them had been directly recruited from sustainability related NGOs (Respondents 02, 09 and 10) and one of them had her own consultancy company about sustainability (Respondent 08). The three other respondents were previously working in their respective organizations at R&D or quality departments (Respondents 3, 4 and 6) and they were found to be the most eligible because of their past experience about systems development as well as their interest in the topic. These more experienced internal recruits are in their mid-career stage; so these positions seem like a horizontal promotion for the managers. On the other hand the external recruits are all in their career establishment stage. Yet none of them can define a future career track for themselves, or we may simply say they don't know what's next for them. This finding is also in line with previous literature. Rands, Ribbens, & Connelly (2008) note that there is no clearly defined career path leading to or from the sustainability coordinator positions at the university campuses. One of the respondents candidly explained,

> *This is the trend at the moment and I am needed here. But who knows what the next trend will be and whether I will be here (Respondent 08).*

Sustainable management positions in the country are limited at the moment and almost all the sustainability managers know each other. The direction of manager transfers seem to have happened from NGOs to corporations so far; however there are voluntary transfers of trainees among organizations.

Table 2: Respondents' Demographics

Company Code	Job Title	Age	Undergraduate Education	Master's Degree
01	Environmental Manager	30-45	Environmental Management	Yes
02	Innovation and Sustainability Manager	30-45	Political Science	Yes
03	Management Systems Manager	46-60	Industrial Engineer	Yes
04	Sustainable Development Energy and Environment Manager	46-60	Mechanical Engineer	Yes
05	Communications Manager	30-45	Foreign Languages	No
06	Business Systems Manager	46-60	Environmental Management	No
07	Project Finance Manager	30-45	Civil Engineer	No
08	CSR, and Sponsorship Manager	30-45	Political Science	Yes
09	Environment and CSR Manager	30-45	Forestry Engineer	No
10	CSR and Sustainability Manager	30-45	Sociology	Yes

In all the companies there are departments directly responsible from sustainable development however the title of the departments, the size and their place in the organization chart showed variance. There are on average 3-4 people in the departments. Companies commonly coupled sustainability with topics of environment, CSR or communications. Two companies continued to keep the department names as management systems (respondents 03 and 06); one respondent explained their decision as

> *Top management knows what I do and the other managers know what I do. When employees hear new names they show resistance to it therefore we kept the name as management systems. Employees sometimes joke around with me as "the environment lady is here" (Respondent 06).*

This finding demonstrates how some companies move slowly on the sustainability continuum (both have started reporting in 2012) and how they are cautious about internal resistance even when the top management is committed to the cause. Corporations may choose among different corporate responsibility initiatives depending on the need of their stakeholders (Griffin & Prakash, 2014).

Having a department named sustainable development can give a strong message to the employees as well as other stakeholders (suppliers, customers, etc.) about the intentions of the company on pursuing this concept in the longer term. Sustainability manager becomes the visual symbol of top management's commitment to sustainability (Leadbitter, 2011). For example Respondent 04's company had made this commitment. On the other hand when sustainability is put together with sponsorships it raises questions in terms of commitment.

> *In our department we have 16 employees and it is called CSR and Sponsorships. I have to admit that most of the staff is involved with sponsorships; sustainability reporting is also followed by our department but there are already consultants that help us with reporting. We don't do much of strategic direction making (Respondent 08).*

The placement of the department can also be regarded as significant; a department that works directly under the top management or within a strategically important unit will also give a strong message to the stakeholders. The majority of the departments were found to be working under the human resource management director or operations management. Contrary to this finding, sustainability management was placed within the project finance department at the bank in the sample (Respondent 07). This well-planned placement helped the unit to have an active role in setting sustainability criteria for project financing, thus lowering their future credit return risks and in response reducing costs for the bank. They were also in a position to be more responsive to their client's needs and had an emphasis on product and service innovation as suggested by Dunphy & Benveniste (2000). As a result, the manager could encourage the company to move much faster on the sustainability continuum. Literature underlines that to move towards sustainability managers need to find ways that are both sustainable and economically profitable (Quinn & Dalton, 2009) and this example demonstrates how this can be achieved.

Sustainability Manager's Roles

All of the respondents agreed that sustainability was important for the future of their organizations.

> *Today the cost of water is cheap for us. There is no push for us to invest in water –saving technologies/products. But we believe that if we do not invest in R&D today then we will not exist tomorrow (Respondent 04).*

They have listed numerous reasons why their organizations have started working towards SBD; top management vision; joint venture partner's encouragement; a consultant's advice; new EU regulations; pressures of activist groups; and minimizing risks are some of these factors.

Using the ten dimensions of "Competency Matrix for Change Agents for Sustainability" (Hesselbarth & Schaltegger, 2014) questions were asked to managers about their job duties. Majority of the managers stated that they performed eight out ten of the job duties in their jobs. They least performed were "to conduct sustainability audits" and "to measure sustainability performance". The sustainability managers explained the reasons as such: the internal control mechanisms already exist in our organizations and data regarding our goals (KPIs) are produced and reported by each department; when we need to put data together they send us the results and we trust their reports. This finding has shown the lack of internal sustainability auditing in the organizations as well lack of knowledge on behalf of the managers.

Majority of the managers see themselves as being part of strategic decision making (8 out of 10) in their organizations. They are receiving full top management support in their activities. These eight managers have each given sound examples on the projects they have been working on and how these change the future direction of their organizations.

> *Among many others, last year I convinced top management to add two new sustainability KPIs to our strategic goals. It was difficult to convince them to move forward, but I am happy that they did in the end (Respondent 01).*

> *We are introducing new products for our commercial banking customers that are going to help them to be more sustainable. We are using a new set of sustainability criteria to finance projects; in a way our criteria helps the businesses to have more long lasting projects and in the end we also minimize our bank's risk. These are all results of the work we do in our department (Respondent 07).*

Examples also included how they engage key stakeholders (employees, communities, suppliers and customers) and how these interactions shape their everyday practices.

> *In one of our facilities after consultations with the surrounding community we have discovered the traffic our trucks were creating. The parents were also concerned about road safety. As a result we have changed the place of our entrance. We started to work with our local suppliers on issues of work safety; we are also educating our wholesale consumers about issues of sustainable production (Respondent 01).*

> *Through our programs we are able not only change our employees' attitudes and behavior regarding sustainability principles but we are also able to make change on their families (Respondent 03).*

The eight managers say that they did not need to win the top management support over and over again but their role to convince the department managers for collaboration is challenging. The process is moving very slow, and at every step they need to win other's support. Some of them admit sometimes other managers do not take them seriously in their roles by other managers.

> *Not all the department managers are ready to hear about sustainability. So I wait, I visit them one by one but if they are not ready I move on until they are ready. I accept that this is going to take time, and I see that my reputation is much better than when I started six years ago (Respondent 02).*

This kind of a slow approach is also found in literature. Quinn & Dalton (2009) note that in their study they found that some leaders start slow in initiating sustainability and let the idea to grow. *Sustainability Education:* The managers split in half whether sustainability management is a new career path. Some of them find this statement too strong; this group agrees that it is a new organizational position but they also believe that this is only a trend that might fade. The second half believes that the need for sustainability related positions will be on the rise and there will be a slow but growing need. On the other hand one manager stated (Respondent 07) that they need more specialists that understand both sustainability and finance management to work at their bank. He stressed that management education programs need to be developed to cater to their immediate need. All the respondents agreed that they were not happy with the consultancy services they were receiving about sustainability. They find the consultants to have basic knowledge about sustainability reporting but little knowledge about sustainability management. This finding points to the urgent need of knowledgeable specialists at consultancy companies. The managers supported that new education programs for teaching sustainability management to be developed at graduate level. They also stressed that new learning methodologies and approaches are needed for teaching sustainability.

CONCLUSION AND FUTURE RESEARCH

Having the skills and knowledge to drive an organization towards sustainability are essential for sustainability managers. This research reports on the initial findings about sustainability managers in the country setting of Turkey. The managers all have reputable degrees from higher education institutions but majority of them are ill prepared to be fully effective in their positions. Therefore most of the learning is on the job learning and self help through networking. They have interest in the topic and they are committed, but there is no defined career path for them. For a small group of them this is their mid-career position, which comes after similar positions in R&D and quality management. There are different levels of sustainability commitments of organizations, which is reflected in their sustainability management positions, departments and projects. Companies move on their own speed but when sustainability initiatives are shown to have economic impacts the pace can be faster and the sustainability manager's job becomes easier. Majority of the sustainability managers have become a part of strategic decision making, they design and direct a sustainability management systems, support other manager's performances on sustainability and network with various stakeholders at the same time.

Companies report that there will be a future need for sustainability managers in their organizations; however the findings suggest there is a more immediate need at consultancy companies for knowledgeable and accredited sustainability specialists. Higher education institutions in Turkey need to better anticipate this need and begin working on new education methodologies for teaching sustainability. Sustainability management is highly different and demanding than traditional management and therefore requires diverse methodologies for learning. These new methodologies require more than just classroom teaching. The models of the other educational institutions can be studied to make the required changes (The US, UK, Germany and Australia). This study focused on Turkey based organizations; however future studies should include managers from organizations in other countries.

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Sustainability &
Sustainable Development

CONFERENCE THEME:
"Reclaiming the
Societal Dimension"

PATTERNS IN PROFESSIONAL ROLES: SUSTAINABILITY NARRATIVES

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Abstract: This paper explores patterns in professional narratives over a period of six years. The purpose of this study was to explore patterns in narratives of change agents and discuss how narratives of sustainability develop over time. Narrative inquiry plays a role in bringing about inclusive environments by talking and writing about experience. In this study, stories were examined for insight into social organization within the workplace, and what motivates and sustains professional identity. Over the period of time narratives were collected for this study, there was an increase in the themes associated with sustainability leadership for the participants who were in senior and middle management roles. The senior management group shared a greater number of narratives associated with sustainability leadership than the middle management participants. Further consideration is given to how the workplace culture impacts on shared narratives.

Keywords: professional identity; sustainability leadership; organisational culture, narrative analysis

INTRODUCTION

There are growing perspectives on what is understood to engender sustainable professional qualities. In business and society the notion of a sustainable professional identity may consider the future of people in a particular work culture. This research highlights an increased interest in sustainability narratives from professionals from consultancies, non-profit, public and multinational companies. The professionals in this study were in two different career stages: middle management or senior management. Although there is a great deal of research in the field of leadership development, we still know very little about how professionals narrate their careers at different stages and how these stories develop and foster sustainability performance. This research questions how professionals reflect on their contribution to sustainability in their organizations, and whether they play a role as change agents for sustainability.

LITERATURE REVIEW

In recent years the qualities to manage corporate sustainability have been described as competencies of change agents (Hesselbarth & Schaltegger, 2014). The fields of activities for change agents for sustainability include: participation in developing a business case for sustainability management, participation in strategy development, designing and directing sustainability management systems, conducting sustainability audits, measuring sustainability performance and supporting managers to improve sustainability performance (Hesselbarth & Schaltegger, 2014). Sustainability is considered a form of work organization and a key business imperative (Longoni et al., 2013). Sustainability

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practices are considered to integrate social, environmental and economic responsibilities (Gimenez et al., 2012).

Quinn and Dolton (2009) define three key features that are important for sustainability leaders: setting direction, creating alignment and maintaining commitment. 'A Journey of a Thousand Miles: The State of Sustainability Leadership' by Cambridge Institute for Sustainability Leadership 2011) outlines seven key characteristics of sustainable leaders: systematic interdisciplinary understanding, emotional intelligence and a caring attitude, values of orientation that shape culture, a strong vision for managing difference, an inclusive style that engenders trust, a willingness to innovate and be radical, and a long term vision on impacts. The Cambridge Institute of Sustainability Leadership (CISL) defines sustainability leadership as practices that make a difference by deepening awareness. In adopting sustainable leadership practices individuals engender new ways of seeing, thinking and interacting that result in innovative, sustainable solutions. Hesselbarth and Schaltegger (2013) highlight that change agents for sustainability do not need to be in senior management roles. The qualities of sustainability may work at all levels and may be practiced by internal or external agents.

Narrative inquiry and analysis provides a way to explore social organization and the way in which people make sense of sustainability agendas' in their personal and professional lives Social organization relies, among other things, on accounts of action, involving the use of social categories and vocabularies of motive (Mills, 1940). Stories can be used as a means to render experience intelligible. Many factors have contributed to the current awakening of interest in narrative (e.g. Bamberg, 2012; Bruner, 1990; Riessman, 2002, 2003, 2008). Bamberg (2010) recommends an analysis of discursive features to gain an understanding of career, as opposed to accepting the proposition that career is an individual construct. Within the narrative field of enquiry there are multiple perspectives on the role narratives play in the formation of identity (Freeman, 1993, 2011; Zimmerman, 1998; Georgakopoulou, 2006; Tamboukou, 2008). Bamberg (2012) proposed that narrative inquiry provides an avenue to undertake 'positioning analysis', in other words, explore how people construct identities through their talk in interaction with others. Bamberg's (2012) empirically grounded approach provides a way to explore how professionals identify themselves. The theoretical foundation of identity positioning can be further explored by drawing on the work of Ricoeur (1992) and Gee (2000), who present the view that identity is constructed through language. A key difference between the two theorists is that Gee (2000) presents narrative as a practice that can shift across a person's 'internal states', which are located methodologically through discourse analysis. In contrast, Ricoeur (1992) describes identity as a concept that can be understood through the study of language theory and explored through the analysis of narratives.
Similarly, Beattie (2009) states that the understanding of identity is a continual quest that is constructed through inquiry, dialogue and interaction.

RESEARCH QUESTION AND APPROACH

The boundary of sustainability leadership and the role of change agents that draw upon sustainable practices are broad and described in various ways. The purpose of the present research was not to define the parameters of the characteristics but rather to identify whether these seven characteristics were applicable to participants in this study. A narrative inquiry approach was selected to explore characteristics of sustainability leadership. Interpretative research drawing on storytelling is not generally used to explore sustainability qualities because the narrative of sustainability is rarely

explored as an emergent quality. Instead, narrative inquiry is used here as a form of meta-analysis (Chase, 2011). Narrative inquiry provides a means to explore narrative identity theories because participants in narrative interviews provide stories that are endlessly retold tales (Mishler, 2004), and stories are cultural reproductions where agency is played out (Andrews et al., 2000; Denzin, 2000). Bamberg's (2010) concept of 'positioned analysis' was drawn upon in this analysis. Positioning analysis avoids the view of subjects as simply acting out their pre-established selves and identities, and escapes from viewing selves and identities as taken off the shelf of pre-existing discourses.

This paper investigates the stories of professionals asked about how they have developed in their career. The narrative analysis explores whether the qualities of sustainability are inherent in the stories these professionals told. The key research question asks: How do professionals reflect on their contribution to sustainability in their organizations in narratives about their careers? Narrative interviews were conducted with professionals living and working in Melbourne, Australia, over a six-year period; each participant was interviewed twice with a two-year gap between interviews.

In total, 24 participates were interviewed in this study. The majority of participants were women (20 women and 4 men) and all participants worked in Melbourne, Australia. Pseudonyms have been used throughout. Participants in senior management roles were 46–56 years old, and those in middle management roles were 35–45 years old. The participants were identified through professional networks accessible to the researcher. Participants were contacted by telephone and asked whether they would meet at a location that they selected to participate in an interview to discuss their experience of development in their work. Participants were emailed a set of questions to consider prior to the interview. The key question they were asked to think about was: How have you developed and grown in your professional life? Prompts were used to explore this question, such as: When do you consider your career journey began? What are some of the significant constraints and challenges you have faced in your work? What has been critical to your development and growth? What was happening in your life at the time?

For the purposes of this paper, each narrative was scrutinized to explore the way in which the meta-narrative was associated with sustainability leadership qualities. Two case studies from each management level (i.e. senior and middle) are presented below, and themes are discussed more broadly across the sample population. The transcribed data was analyzed for each individual but also for the group of participants. The group analysis was conducted by using NVivo 9 software. QSR's (a Microsoft partner and global supplier) NVivo 9 software was used as a tool to classify and sort the themes in the stories. QSR's software is useful for the basic tasks of qualitative research and was used in this research as a tool to store and sort the themes associated with social responsibility. This tool provided a means to further develop the analysis. NVivo 9 provided a basis capture and labeled the data then placed them in files. This tool provided a means to collect, sort and review all similar themes.

Coding was applied to themes, which provided a way to compare the groups, and also grouped the data. Exploring the cross-tabulation of coded themes can form a matrix of relationships. NVivo 9 was used to create a matrix analysis, which counts the number of text segments defined by the researcher as a dominant or counter node and the number of parent and child nodes discussed by particular groups. This provided a means to compare the themes discussed by each group and

identify patterns across the stories. It was not possible to identify gender variance in the study with such a small sample of men included.

THE STORIES

Case example 1: Hanna

Hanna's initial training was as a lawyer, but at the time of the interviews she was a senior executive in a major corporation, and had worked for several other leading corporations in the human resource development field previously. Hanna's story was characterized by an emphasis on ethics. Her ethical outlook shaped her views concerning how she had grown and developed. She was driven to 'make a human values contribution'. The interview with Hanna focused on a discussion of how she understood and worked with power relationships that operated in the corporate environment in which she worked. She was very aware of power relationships and strategies to obtain cultural shift and leverage points to enact this within the corporate culture. Hanna described how she identified with women, yet had made active choices to adapt to a male-dominated culture. Hanna presented an ethical narrative including wide-scale ideas about human nature as it relates to our relationship with our environment for sustainability. Hanna described values associated with sustainability leadership: an inclusive style, emotional intelligence and a long-term perspective. This quote about her desire to make a social values contribution highlights her sustainability leadership qualities:

> *My development has been less about writing a development plan and more about feeling from an early age that people had confidence in you and feeling that you could make a contribution to the social values of an organization.*

Case example 2: Edna

Edna, like Hanna, was in a senior management role at the time of interview. Edna's narrative emphasized an underlying set of values that supported the institution she worked in. She described how relationships helped her weigh up alternatives and remain open to challenging opportunities. She told a story about demonstrating business acumen 'bottom line' objectives, or a drive 'to leave an organization in better shape than I found it'. Although Edna is a CEO in a large corporation at the time of interview, she is also impacting on various companies, not just her own, her role is impacting on her organization and the people she works with but also on the sustainability qualities of people outside her organization. Her conscious role as an actor in her organization's, but also those she works with to contribute to the future development marks her sustainability leadership qualities. This is further evidenced by the nature of her mentoring role.

> *The mentoring we do is quite expensive. When I sign on, I sign on not only to help my client personally but also to assist the company they work within to get a greater return, with a business plan, a strategy etc. I am currently working with someone in the insurance industry and I am getting a handle on the strategies necessary for her job. She will be mostly responsible, and she will get the bonus, but I am working with her to achieve it.*

Edna referred to the importance of working with others to achieve objectives and weigh up opportunities. Edna spoke about her effectiveness and accentuated her qualities, yet she wove these

through the story about how her relationships assisted to her to achieve success. Her story indicated that she was given encouragement and confirmation that her contribution was valued, possibly she had learned through working with others about the qualities associated with sustainability.

Case example 3: Ginny

Ginny was in a middle management role at the time of interview. Ginny reflected on the key ingredients necessary for productivity, such as building relationships. Her formal education and informal knowledge were also viewed as assisting her to become part of a professional group. Ginny was in a middle management role at the time of interview. Ginny reflected on the key ingredients necessary for productivity, such as building relationships and the sustainability of her family. Her formal education and informal knowledge were also viewed as assisting her to become part of a professional group.

> *I got a job at the bank in 1987 just as a data entry operator while I thought about what I wanted to do at university. That motivated me to go to uni. A lot said to me you will like the color of the money too much if you take a year off rather than go straight to uni after school. This data entry job really motivated me to go to uni though. I did not really have a lot of support from my family. I came from a background where women don't go to school. My parents did not have much schooling. They put me through a private girls' secondary school and then after that I was expected to go and get a job. I kept the job going a couple of days and went to uni part-time and eventually I graduated. Banking and finance were my key interest. I ended up getting a bachelor of economics. I got married young to a nice guy while at uni.*

Ginny was in a situation that enabled her to recognize the ingredients required for success. She acknowledged her ability to adapt and demonstrate flexibility; however, she made the choice to focus on her personal life, not believing she could have both at the same time. Ginny could be seen to demonstrate qualities of emotional intelligence. Emotion intelligence was expressed throughout her story and she described how she made a choice to take time away from a career that she enjoyed caring for her children but also supporting her husband who was suffering a life threatening illness.

Case example 4: Molly

Molly was in a middle management role at the time of interview. She described not plotting a career, but instead found it was shaped by opportunities. As Molly took up opportunities she also made decisions about other things she would have to forgo or do differently. Molly described actively making an assessment of the 'best fit' and emphasized decisions and compromises that she had made, or felt expected to make in order to live the life that she wanted. In contrast to the collaborative partnering approach, the approach of 'best fit' is more individually focused.

> *The choices that appeal are obviously out there and they speak to you. I think some of the choices I made were for my idealized self as opposed to my real self. When I left school I went overseas for a while and I then applied to the commonwealth public service. I applied to foreign affairs and trade, not really knowing what I wanted to do but I had done an international politics degree. Being a diplomat I realized I loved the sound of it, but development has been a really good fit for me.*

She described an interest in social justice and ethics, that developed alongside her understanding of her interest in diplomatic work and an interest in international development work and the two shaped her career choices. Balancing family and work was a priority.

> *I thought I'd find it hard for my interest in social justice to translate into paid work and this was important to me. I got involved with social justice sort of campaigns and other minority groups. I undertook a lot of advocacy roles. That was personally very satisfying, but getting back to the question of what is important now, well making sure as a single mum I have enough time and energy to support my daughter and well as reasonably satisfying work. Where I was going? I didn't really know.*

Case example 5: Markus

At the time of the interview, Markus had recently resigned from a middle management role and was in the process of starting up his own consultancy business.

> *I think it was when I was selling the hotdogs. I had an opportunity to buy the business and I wanted to do something for myself, but I passed it up, I knew I wanted to do something for myself. I really don't care what I do, as long as I am doing it for myself. I am using my own creativity to make money and have a good lifestyle. I don't know where I want to be on a subject level so I don't care if I am selling fish and chips, or people into corporate bodies, all I know is I want to do it for myself. I don't know if that's because I just can't handle working for people, because I have had a few bad experiences with shocking managers, or it is just ambition where you want to make a lot of money for yourself and not someone else.*

Markus did not focus much on issues associated with sustainability leadership, but more on career mobility and outcomes associated with having some balance between career and personal life. However the themes summarized below include two men in the middle and senior group and the results below indicate that men in middle management roles were fewer focuses on sustainability leadership characteristics when telling their story than men in senior managerial roles. However on the second interview there was a higher prevalence of themes associated with sustainability leadership.

Broad themes

There were elements of the stories told by participants that had common threads. Regardless of their age, all participants referred back to their youth when telling their story of growth and development, and all emphasized the importance of understanding their own value in the context of their work and their society in order to understand career aspirations. Key themes associated with sustainability leadership identified across the stories were discussed including systematic interdisciplinary understanding, emotional intelligence and caring attitude. Jan Muehlfeit (2010), Chairman of Microsoft Europe suggests that: "As a leader for the future, you would need to motivate people's hands or their brains but you can't motivate their hearts-because that takes real inspiration' CISL, 2011:13). All professionals discussed how their values and an insight into a values orientation shaped culture. Many highlighted the importance of having a strong vision for making a difference, an inclusive style that engenders trust was discussed by many in the senior management group but very few in the middle management group. Finally a willingness to involve other and take manageable

risks was discussed and finally a long-term perspective on impacts was considered an important priority.

Themes commonly identified in interviews with participants in middle management were emotional intelligence, an inclusive style, and a vision for making a difference. Participants in middle management mentioned the importance of balancing family and work in their lives. Although they expressed some themes associated with sustainability leadership, these were not entwined throughout their stories as they were for many of the participants in the senior management group.

Table 1: Summary of broad themes associated with sustainability qualities

Management level	No. of participants	Interview 1	Interview 2
		Number of sustainability qualities identified	
Senior	12	87	128
Middle	12	37	85

The senior management group exhibited a broader range of themes identified as qualities associated with sustainability leadership than the middle management group As can be seen in table 1 the number of themes increased between interview 1 and 2, they increased by roughly the same amount (for the senior group they increased by 41 and he middle management group by 48). The gap between the participant and senior and middle level closed from 50to 43. This indicates that over time both groups developed a capacity to tell narratives that were associated with sustainability qualities. The senior management group discussed a values orientation that shapes the culture in which they work and how their values had shaped decisions that impacted on others. They spoke in particular about the importance of an inclusive leadership style. The long-term effects of the choices were discussed and how this impacted on others in the business but also on the environment in which they work and the broader sociocultural environment.

DISCUSSION

The approach adopted in the present study highlighted that sustainability leadership themes are less prevalent in middle career stages. Senior managers were more than twice as likely to exhibit qualities associated with sustainability leadership, that is, the seven traits identified by the CISL (2011). In contrast, middle managers displayed fewer traits considered relevant to sustainability leadership, instead demonstrating a focus on career mobility, their values and prioritizing family. This difference indicates that the way professionals form boundaries between their personal and professional lives may be dependent on their life experience and life stage.

There is extensive evidence that opportunities for women in general, and professional women in particular, have grown significantly since the 1950s in Australia, and many barriers have diminished (Pocock, 2003; Peetz et al., 2007; Sheridan et al., 2009; Ross-Smith & McGraw, 2010; Strachan 2010). Nevertheless a number of studies have highlighted that women often choose to sacrifice their careers in preference for family (Lovejoy & Stone, 2012). In the present study this was more evident with the women of childbearing age than the women in senior roles, whose stories indicated that they had reached some resolution about the way work was aligned with family. Sullivan and Arthur (2006) proposed that psychological mobility, that is, an individual's capacity for movement as perceived through the mind of the career actor, is influenced by gender. It is possible that

psychological mobility is gendered and it may also be influenced by life stage and the culture in which a person is enmeshed. Indeed, the case examples presented above highlight that the women of different life phases emphasize different degrees of mobility when they talk about what is critical in their careers and provide a response to the way in which they have developed and grown.

The way people develop a sense of their career identity may develop when they first enter their professional lives, influenced by common generational features of the work culture, such as legislation and demographics. Thus, it is possible that the case examples presented in this study represent set viewpoints about career, and may not alter as middle management participants progress in their careers. Life stage may therefore impact on mobility, and also how a person understands their capacity for sustainability leadership. McNay (2003) argues that the way we analyze language is important in understanding the concept of agency. The stories and language used to tell stories were analyzed in the present study and the findings suggest that each participant presented as an agent with discursive features that shaped the story told. Johnston (2008) highlighted that patterns of positioning provide important insight into the way in which 'identity production is accomplished internationally and discursively through storyteller/interviewee engagement inside the telling of a story' (Johnston, 2008: 189).

Alternatively, professionals may change their perceptions of their professional identity as they move into different life stages. The case examples presented in this paper highlight that the professionals of different life stages emphasize different degrees of mobility when they talk about what is critical in their careers and provide a response to the way in which they have developed and grown. For example, the women of the more senior group and midlife group reflect back to their early life to describe how they have developed and see this as significant to their narrative about their development and growth. Career focus changes through time. Based on the findings of this study sustainability leadership may be further considered as a cultural construct that is understood through emergence in a culture. It is possible that the priorities of sustainability are expressed more in senior management circles and are learnt through social exchange.

For instance, Hasselbarth and Schaltegger (2014) highlighted that a number of corporates have introduced career paths in companies that are focused on corporate responsibility and that some Masters of Business Administration programs have introduced a competency matrix to structure basic components of sustainability management in postgraduate education.

> *Although an increasing number of programs in sustainability management have emerged for the last couple of years, empirical findings about the requirement of the profession and effective methods to educate change agents for sustainability are still limited (Hasselbarth & Schaltegger, 2014: 32).*

Acting successfully as a change agent within the field of sustainability leadership may require insight into the discursive parameters of sustainability and the qualities associated; however, methodological, social and personal competencies may develop through experience, as this study would suggest.

Characteristics associated with sustainability leadership are rarely considered in the context of cultural constructs, the patterns in narratives of people at different levels of seniority may shape how the concept is understood and possibly the workplace agenda within which the senior manager has

emerged. Here, narratives were presented as stories that highlighted examples of professionals reflecting on their career development including their contribution to organizational sustainability. This may suggest that the way professionals come to understand their place in their workplace culture and broader environment is developed through experience and through engaging in conversations about the meaning of sustainability leadership. It is also possible that the performance qualities associated with sustainability are engendered within senior levels of organizations. The results of this study highlight that this may be important to further consider how workplace cultures shape sustainability narratives. This paper has explored how stories provide insight into social organization within the workplace and, in particular, patterns and themes associated with sustainable leadership. Stories of senior professionals exhibited an increase in qualities associated with sustainability and this influences how they identify themselves in their professions. Further consideration is given to how the workplace culture impacts on shared narratives, in that at different stages there is a greater prevalence of stories associated with social responsibility.

Incorporating narrative inquiry as a methodology in university preparatory programs to build capacity in diverse understanding of how discourse is developed associated with sustainability may assist students in managerial programs to gain insight into leadership qualities. Gardner (2013) suggested that students might gain a greater understanding of how to integrate theory about leading and managing if introduced to methods of narrative inquiry during undergraduate degrees. It may also be useful to highlight to firms interested in developing qualities of sustainability leadership for their senior professionals the examples of sustainable leadership discursive practice. This study interviewed people in senior and middle management roles, but none who play a role in the sustainability area, for instance with the titles: corporate communications managers, corporate responsibility manager, environmental manager or sustainability manager (Hasselbarth & Schaltegger, 2014). Interviewing people with direct responsibility for social responsibility leadership and a focus on behavior requirements as agents for change in this area may provide a greater degree of insight on the specific variance of qualities and how they are developed within an organization.

CONCLUDING COMMENTS

Furthermore, longitudinal research that adopts a focus of inquiry on the language associated with social responsibility and the way variable cultural features impact on this language may assist in defining the characteristics associated with social responsibility. To explore the narrative associated with sustainability of graduates who have completed studies with a focus on sustainability management at varied life stages may also shed light on how early career training has an impact on behavior and discursive practice. Professionals interested in pursuing a sustainability agenda should pay closer attention to how they share narrative and analyze the narratives of others that are association with the concept of sustainability. This form of analysis may assist to build capacity in the systems and organisations that people work within for example through educational systems, communication and reward systems. A culture to support sustainability and the broad and deep stakeholders engagement is essential for effective professional growth.

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Social Entrepreneurship &
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SHORTCUT TO SUCCESS: HOW PONZI ENTREPRENEURS ESTABLISH & GROW VENTURES QUICKLY

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Acknowledgements: The author thanks Jordan Maglich of Ponzitracker for sharing his database on Ponzi schemes and Mark Tourni for his assistance in data collection.

Abstract: This study examines the business models of highly successful Ponzi entrepreneurs. Results indicate that these entrepreneurs clearly articulate their customer value proposition, profit formula, key resources and processes that support their value proposition. Thus, Ponzi entrepreneurs appear quite adept at applying core entrepreneurship concepts for illegal and unethical purposes. The results highlight the need to broaden the definition of "value creation" so it encompasses legal and ethical behavior in addition to the traditional and somewhat narrow economic use of the term. This study adds to the growing interest in measurement of business models (e.g., Zott et al., 2011) and it will hopefully foster more empirical research of illegal entrepreneurship.

Keywords: illegal entrepreneurship; Ponzi; business model; value proposition

INTRODUCTION

Entrepreneurship scholars have paid little attention to illegal entrepreneurship. Ponzi schemes represent a type of entrepreneurial activity in which entrepreneurs establish illegal business ventures that continuously recruit new investors in order to pay returns to early investors (Valentine 1998) and have money to fund other activities. The individual or individuals who start Ponzi schemes represent entrepreneurs, with entrepreneurship defined as the study of opportunities, processes through which individuals discover, evaluate and exploit those opportunities and the individuals themselves (Shane & Venkataraman 2000). As Baumol notes, "If entrepreneurs are defined, simply, to be persons who are ingenious and creative in finding ways that add to their own wealth, power and prestige, then it is to be expected that not all of them will be overly concerned with whether an activity that achieves these goals adds much or little to the social product" (1996: 6). Ponzi entrepreneurs engage in "unproductive entrepreneurship" (Baumol, 1996), defined as highly innovative and creative but illegal rent-seeking behavior that contributes little to society. While the entrepreneurship and strategy literature recommend that entrepreneurs establish viable business models in order to be successful, we do not know whether illegal entrepreneurs--specifically highly successful Ponzi entrepreneurs--develop viable business models for their ventures. This study focuses on that research question: To what extent do highly successful Ponzi entrepreneurs develop viable business models?

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LITERATURE REVIEW

Business models have received increasing attention in the entrepreneurship literature, centering on the value proposition offered to the entrepreneur's customers (e.g., Johnson et al., 2008; Osterwalder & Pigneur, 2010; Zott et al., 2011). The term business model has no single clear definition (Morris et al, 2005) but has been used to refer to how the firm earns and maintains profits over time (Stewart & Zhao, 2000) or how the pieces of a business fit together as a system to offer more value or a better way of doing things for a particular set of customers than what competitors currently provide (Magretta, 2002). A review of business model research (Zott et al., 2011) indicates that business models may affect industry and competitive behavior or value creation through technology and innovation, but strategy researchers frequently focus on firm-level outcomes such as high firm performance, i.e. high stock price (Zott et al., 2011) or profitability (Magretta, 2002). Scholars sometimes emphasize that business models should focus on value creation where value encompasses both economic and social forms (Zott et al., 2011); however, Zott and Amit (2007) indicate that, "business models can create value either by enhancing the customers' willingness to pay or by decreasing suppliers' and partners' opportunity costs—for example, through improved transaction efficiency" (p. 183). Thus strategy and entrepreneurship researchers depict value creation in a very different way than what business and society scholars would likely use: legal and ethical means or behavior and outcomes do not appear to be required for entrepreneurs or businesses to create value with their business models. This study is aimed at testing the degree to which business model concepts apply to Ponzi (illegal) entrepreneurs.

The concept of a business model has been discussed in the literature for quite some time but only recently have scholars begun trying to operationalize the concept. Survey items have been developed to measure novelty-centered business models, those that emphasize new ways to develop products and services and engage in economic exchanges, and efficiency-centered business models that allow a firm to more efficiently imitate competitors (Zott & Amit, 2007). Another approach relies on a series of questions to evaluate six components of a business model, namely: how the firm creates value, for whom it creates value, the firm's source of competence, competitive positioning of the firm, how the firm makes money, and firm goals related to growth, timing and scope (Morris et al., 2005). A similar framework derived from current research on business models identifies four central elements of a business model (Johnson et al., 2008). This framework indicates that the core dimension of a business model is the customer value proposition (CVP) or who the customer is, what the problem or need is that the entrepreneur will address for the customer and the offering or solution provided by the entrepreneur (Johnson et al., 2008). The other three dimensions are interlocking and must fit with the CVP: the profit formula used by the firm or how the firm will earn revenues; the key resources necessary to satisfy the CVP; and the key processes that all the firm to scale its operations and maintain profitability (Johnson et al., 2008). The frameworks by Johnson et al. (2008) and Morris et al. (2005) encompass very similar competitive and strategic decisions, for instance, with the single dimension of CVP in the Johnson et al. model addressing how and for whom the firm creates value, two separate dimensions in the Morris et al. (2005) model. Additionally, the dimension of the Morris et al. model that focuses on firm goals related to timing, scope and size does not apply to Ponzi entrepreneurs since they all emphasize growth and income as their goals. Thus the Johnson et al. model appears to be a more parsimonious approach to capturing the same information about a firm's business model, making it a better choice for evaluating the business models used by Ponzi entrepreneurs in this study.

Some authors have suggested that investors are highly swayed by the high returns offered by Ponzi entrepreneurs but this study maintains that Ponzi entrepreneurs develop and promote viable business models as the basis for their ventures. Companies that create viable business models perform very well in the marketplace and the clarity around their business models enables them to tell a more convincing story to employees and other stakeholders than companies that have fuzzy or inconsistent business models (Magretta, 2002). Entrepreneurial firms that pursue innovative business models by reconfiguring their resources and using those of customers, suppliers and partners experience superior performance (Zott & Amit, 2007). Thus viable business models appear related to superior firm performance. We expect to observe this same relationship among Ponzi entrepreneurs: highly successful Ponzi entrepreneurs have established viable business models by developing a clear CVP (i.e., specifying their target customer, problem or need being addressed and how their offering solves that problem or need) and a profit formula, key resources and key processes that allow them to execute the CVP. The specific hypotheses are:

H1: Highly successful Ponzi entrepreneurs will assert a customer value proposition (CVP).

H2: Highly successful Ponzi entrepreneurs will assert a profit formula that fits with their CVP.

H3: Highly successful Ponzi entrepreneurs will establish the key resources necessary to deliver the CVP.

H4: Highly successful Ponzi entrepreneurs will establish the key processes necessary to deliver the CVP.

METHODS

Data were gathered on 573 Ponzi cases that raised at least $1 million, operated in the period 2003-2013 and were identified and prosecuted in the United States. Ponzitracker, a database of 501 global Ponzi schemes (Maglich, 2014), was used to identify a number of cases and the rest were obtained through searches on the Securities and Exchange Commission (SEC) website, Federal Bureau of Investigation (FBI) website, and Google. Court cases and government agency documents, newspaper articles and other sources provided detailed information on the entrepreneurs carrying out the Ponzi scheme, their business model, the amount of money raised, and the time period over which they operated their venture. For this study, a subsample was created of the 12 most successful rapid growth Ponzi schemes during this time period, with success defined as the highest revenue per year among ventures that operated for five years or less. These entrepreneurial ventures started and quickly ramped up their revenues, unlike ventures that grow much more slowly. These 12 highly successful ventures operated for an average of 3.32 years, raised on average $411.8 million during the life of the venture or an average of $142.57 million per year. This average revenue per year is substantially higher than the average annual sales of approximately $53 million in Barringer et al.'s (2005) study of rapid growth entrepreneurial firms, suggesting that these Ponzi entrepreneurs were able to bring in much more money for their firms.

Data on the entrepreneur, any new venture team members, the names of the new ventures, length of time the firm was in operation, amount of money raised, number of investors, and details on the business operation were collected for each of the 12 highly successful Ponzi ventures. Tables were used to summarize and categorize the data on the business model using the four dimensions

developed by Johnson et al. (2008): 1) the Customer Value Proposition (CVP) or the target customer, product or solution offered and how it is to be sold; 2) profit formula that involves a revenue/volume model, emphasis on cost reduction or allocation of costs, a focus on margins and maintaining the desired profit margin, or resource velocity that emphasizes rapid turnover and use of resources and assets; 3) key resources that are essential for delivering the CVP; and 4) key processes, plus rules, norms and metrics that allow the venture to scale up and consistently offer the CVP.

Qualitative analysis was used to test the hypotheses because this methodology provides a way to compare across organizations and contexts (Dyer & Wilkins 1991; Eisenhardt 1989) as well as affording richer data within each organization. Qualitative analysis is especially appropriate in situations such as this where little is known about illegal entrepreneurship or more specifically, about business models used by Ponzi entrepreneurs and the focus is on 'how' and 'why' questions (Yin 2009, 2012). In this study the focus is on how Ponzi entrepreneurs create viable business models and why they are able to amass so many financial resources so quickly. The qualitative analysis relied on recommendations by Denzin and Lincoln (1998), Eisenhardt (1989, 1991) and Yin (2009, 2012), using an iterative process to develop the categorization of each Ponzi venture's business model by going back and forth between multiple sources of data on the venture, initial entry of the information in the table, initial categorization of data according to the business model dimensions and in terms of initial themes in the data, recategorization of the data and refinement of the themes until a saturation point was reached in which the cases all seemed to fit well with the business model dimensions and the themes. This helped ensure accuracy of the descriptions and categorizations of the business models. After each of the 12 business models were developed, comparisons were made across the Ponzi ventures to test the hypotheses and to better understand the competitive approaches used by these Ponzi entrepreneurs.

RESULTS[2]

The first hypothesis maintains that Ponzi entrepreneurs will establish a customer value proposition (CVP), in other words, they will clearly indicate their target customer, the problem or need they are addressing and how they solve that problem or need (Johnson et al., 2008). The data show that nine of the 12 entrepreneurs successfully established a clear CVP in which they offered unique value to a specific group of customers. Five of the nine entrepreneurs were able to successfully differentiate their ventures from competitors' businesses by providing proprietary products including confidential legal settlements, preferred stock and limited partnerships, guaranteed safe investments, "SmartCharts" trading system, and guaranteed interest rates; in one situation, the entrepreneur focused on establishing or locking in exclusive destinations for 5-star resorts. The remaining three entrepreneurs did not have unique products but the processes used by the entrepreneurs enabled their ventures to differentiate themselves; this involved creating a second business that could drive customers to the primary business, establishing expert turnaround and project management, and building on the firm's long-established reputation for money management while offering unusually successful investment opportunities. One of the three remaining ventures had a less clearly established CVP with the firm relying on interest free loans to enable foreign currency trading and for the first two years, they adopted a name for their venture that could be easily confused with an

[2] Tables showing the summaries and categories for the data can be obtained from the author.

established and well-respected financial services firm. Two firms had less clearly established CVPs with one selling promissory notes in real estate investments and the other venture offering short-term loans secured by assets and real estate but these entrepreneurs did not appear to target any particular customer segments or specify how they were addressing an important problem or need for their customers. Thus there was overall support for H1.

Highly successful Ponzi entrepreneurs were expected to rely on a profit formula that fit well with their CVP according to H2. This received strong support with 11 of the 12 entrepreneurs appearing to adopt a specific profit formula that matched with their CVP. Six of the 12 relied on a revenue model where the focus was on a high volume of transactions. Two of the 12 used a cost structure formula in which attention was paid to cost allocations, with both Ponzi entrepreneurs engaging in rehabilitation or upgrading property or real estate. Three of the 12 Ponzi entrepreneurs used margin models that allocated resources to ensuring that each transaction would result in high margins or profit levels. Not enough information was available on one of the Ponzi ventures to determine the profit formula that was used. Our data provided strong support for H2.

The key resources and key processes used to deliver the CVP tend to be closely linked or integrated. Hypothesis three suggested that the key resources established by the Ponzi entrepreneurs should enable them to deliver the CVP and hypothesis four posited that the key processes would be put in place to deliver the CVP. All 12 Ponzi ventures relied on extensive resources to execute the CVP and they also engaged in key processes that enabled them to deliver the CVP; this provided strong support for H3 and H4. In fact, the resources and processes used by the Ponzi entrepreneurs were quite extensive compared to what typical startup entrepreneurs might have available. Ten of the 12 Ponzi entrepreneurs created resources and used those resources to support processes that conveyed to customers or investors that the firm was accomplishing its CVP. This included using lawyers and other professionals to generate false documents, represent a company affiliated with the Ponzi entrepreneurial venture (e.g., a CEO or an auditor or lawyer), or generating false client account statements. Three of the Ponzi ventures relied heavily on large sales forces or networks of brokers to bring in business. The creation of multiple entities (100 in one case and 200 entities in another) by five of the Ponzi entrepreneurs appeared to have conveyed to clients that these firms had the resources and processes in place to succeed at the CVP. Finally, social networking or relying on a network of connections to build the business was used very effectively by several of the Ponzi entrepreneurs. Won Sok Lee and Yng Bae Kim formed a solid relationship with Ronald Kochman, a widely respected and well-connected lawyer in Palm Beach, and Kochman referred many of his clients to Lee and Kim as well as aiding them in their efforts to network with elite, wealthy members of Palm Beach society. Guy Williams, his father Brent Williams and Duane Slade used another variation of social networking when they relied on their affiliations with other members of the LDS Church to attract investors. One venture convinced top attorneys and analysts that they were performing quite well and these social connections then became unpaid marketing promoters for the firm. Employing key individuals who could assist in carrying out the CVP was important for a number of the ventures, such as Scott Rothstein relying on 16 lawyers, accountants and other professionals to assist in preparing false legal settlements, "lock letters" from a bank, and the CEO of a firm who recommended that clients purchase the settlements. Two of the Ponzi entrepreneurs established large successful law practices as legal ventures that operated in parallel to the Ponzi venture, two ventures were widely promoted in the media as fast growth successful businesses, one Ponzi entrepreneur had already established a reputation as an expert in his field, another Ponzi

venture provided evidence that supported their claim of having a long history of successful investments, one Ponzi entrepreneur provided clients with "investor references" or a list of satisfied clients that could be contacted, and one Ponzi entrepreneur established himself as a conservative investment expert through his radio show, Follow the Money. In all of these cases, reputation was a key resource of the Ponzi venture and was used successfully to build the business and execute the CVP. These data provide strong support for H3 and H4.

One of the unexpected results in this study was the fact that 7 of the 12 Ponzi ventures had started out as legal ventures. The entrepreneurs began operations and a year or more later began operating a Ponzi scheme. This was an unanticipated outcome that warrants future study since a common assumption in the media is that Ponzi entrepreneurs set out to behave illegally and that may not be the case.

DISCUSSION

The central research question of this study involved the extent to which Ponzi entrepreneurs, illegal and unethical entrepreneurs, effectively used business models when establishing their ventures. Business models have received considerable attention from entrepreneurship scholars and educators as a key factor that affects the performance of new ventures (e.g., Magretta, 2002; Zott & Amit, 2007); however, most entrepreneurship research has relied on samples of legal and ethical businesses. This study showed that highly successful Ponzi entrepreneurs design effective business models, developing a strong customer value proposition (CVP), a profit formula that fits with the CVP, and key resources and processes for executing the CVP. Ponzi entrepreneurs not only used business model concepts from the entrepreneurship literature but the most successful Ponzi entrepreneurs demonstrated considerable skill in using them.

Very successful Ponzi entrepreneurs showed a great deal of creative in the development of their business models. They understood the importance of clearly identifying their target customers and how their firm could effectively fulfill the needs or solve the problem of those customers. The 12 successful Ponzi ventures in this study varied widely in the business models they used, ranging from legal settlements, penny auctions, limited partnerships in oil and gas ventures to bridge loans, real estate development or investments, foreign currency trading, CDs from international banks and hedge funds. This differs significantly from a prior study by Marquet (2011) that indicated fraudulent hedge fund investments were the most common business model for Ponzi entrepreneurs. The diversity in business models and the Ponzi entrepreneurs' ability to specify a clear CVP may account in part for why potential investors believed these entrepreneurs could achieve seemingly unrealistic rates of return ranging from 15-125 percent annually.

An important implication that this study has for entrepreneurship scholars is the need to acknowledge the existence and apparent success of illegal and unethical entrepreneurial activity and devote more study to these forms of entrepreneurship. This study shows that illegal entrepreneurs are quite successful at applying entrepreneurial concepts. Definitions of entrepreneurship typically do not specify whether the "value" provided by the entrepreneur should encompass legal and ethical behavior or the impact on society as a whole (e.g., in helping or hurting efforts to create an ethical community in society). The entrepreneurship field relies heavily on economics and measures entrepreneurial success in economic terms such as growth rate of the venture, size of the venture in

terms of number of employees or dollar value of revenue or assets. The Ponzi ventures in this study appear highly successful in economic terms; however, they have had a devastating impact on the individuals who invested in, unknowingly worked for or were in organizations negatively impacted by these entrepreneurs. As Douglas Price, an FBI Special Agent in charge of the Ponzi investigation of the Mathon Companies explains, "When individuals take advantage and defraud legitimate investors for their own financial gain it erodes the public's trust" (FBI, 2013).

A related implication that this study has for entrepreneurship educators involves the need to more fully integrate ethics into entrepreneurship education. In addition to broadening discussion of the "value propositions" in the business model (Osterwalder & Pigneur 2010) to go beyond how a business solves a customer's problem or need, attention should be paid to the legality and ethics of the new venture. The solutions offered by an entrepreneur and the means used to deliver those solutions (i.e., all the decisions and actions that go into creating and operating the new venture) should be legal and ethical. Many of the highly successful Ponzi entrepreneurs studied here started legal and ethical businesses but at some point begin engaging in Ponzi schemes to bring in additional money for their firms. Additional research needs to focus on understanding when and why that happens (e.g., if other sources of funding are not available). Entrepreneurship students need to wrestle with the challenges they will face and to understand the situations that could result in embarking on a Ponzi scheme. Current entrepreneurship education often treats ethics as an end-of-chapter topic that gets covered briefly if time allows. The study of Ponzi entrepreneurs should highlight the dangers of ignoring or devoting little attention to ethics in entrepreneurship education.

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Social Entrepreneurship &
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BALANCING SOCIAL AND COMMERCIAL OBJECTIVES WITHIN BUSINESS ORGANISATIONS: WHAT CAN WE LEARN FROM SOCIAL ENTERPRISE?

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Abstract: This article explores how social enterprises, as hybrid organisations that combine social benefit and commercial logics, manage these logics internally. Utilising data collected through a case study of six social enterprises operating within the Australian education and training industry, we show that social enterprises may adopt a number of practices through which to manage their contrasting logics. These include challenging conceptualisations of profit internally, implementing participatory and integrated models of decision-making, as well as creating performance standards that account for multiple objectives. These findings provide insight into how other organisations may reconcile contrasting demands arising from the need to reconcile multiple logics, whilst also further developing our knowledge about how social enterprises operate internally.

Keywords: Social enterprise, institutional logics, hybrid enterprise, corporate social responsibility, institutional complexity

INTRODUCTION

The accepted role of business within society today differs substantially from past notions of the social responsibility of business, in which the social obligations were fulfilled by their pursuit of profit maximisation via law abiding competitive action (Friedman 1970). Recent times have seen increased attention placed upon the societal and environmental impact of business action. As a result, the incorporation of socially responsible initiatives (CSR) is becoming an increasingly prevalent component of business strategy (Carroll and Shabana, 2010). For many businesses however, the alignment of socially responsible commitments with the existing commercial objectives is challenging (Munro, 2013). Businesses have traditionally been strongly financially focused, guided by a commercial logic that orients decision-making towards the objectives of profit maximisation and production efficiencies. These values are in many ways incompatible with the objectives that underlie a social benefit logic, being the desire to create social value through meeting social needs and stimulating social change (Mair and Martí, 2006). Such a combination may lead to internal conflicts within business organisations, as well as issues related to organisational legitimacy (Pache and Santos, 2010b, Greenwood et al., 2011).

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In order to provide insights into how profit-oriented businesses can better incorporate and manage multiple objectives, it makes sense to examine how other types of organisations manage similar pressures and contradictions. As such, the purpose of this paper is to explore the practices and activities undertaken by social enterprises when managing their contrasting institutional logics. Their need to combine and balance these logics and their associated objectives makes social enterprises the ideal type of organisation through which to observe the mechanisms used to manage conditions of institutional complexity (Pache and Santos, 2010b, Battilana and Lee, 2014).

Our goal in this paper is to develop knowledge regarding the nature of challenges experienced by social enterprises and their management responses - knowledge that may then be used to enhance the ability of profit oriented business to effectively manage their social responsibilities (Smith et al., 2013, Battilana and Lee, 2014). To do so, we first provide an overview of social enterprise, as well as existing literature on organisational responses to institutional complexity. The research design and data collection methods will then be outlined, after which the findings of the research will be discussed. The final section concludes the paper, outlining implications and future research.

SOCIAL ENTERPRISES AS HYBRID ORGANISATIONS

Much debate exists within academia regarding the concept of social enterprise (Defourny and Nyssens, 2006, Kerlin, 2006a), and the theories that best capture the concept (Mair and Martí, 2006, Parkinson and Howorth, 2008). This debate aside, it is generally recognised that social enterprises are organisations that pursue a social mission through the application of market-based strategies (Alter, 2007, Mazzarol et al., 2013). The combination of multiple objectives requires that social enterprises incorporate and balance contradictory organisational structures, cultures, practices and processes (Smith and Lewis, 2011, Smith et al., 2013, Pache and Santos, 2013a). In doing so, they embed both social benefit and commercial logics at their core (Battilana and Dorado, 2010, Battilana et al., 2012).

Institutional logics are the 'socially constructed, historical patterns of cultural symbols and material practices, including assumptions, values, and beliefs, by which individuals and organisations provide meaning to their daily activity, organise time and space, and reproduce their lives and experiences' (Thornton et al., 2012). They influence the issues considered to be important to an organisation, therefore determining the types of objectives and goals an organisation might have (Jay, 2013). The social benefit logic of social enterprise reflects the values and mission characteristics of a non-profit, whilst their commercial logic reflects traditional market values that place emphasis upon profit maximisation, operational efficiencies and competition (Battilana et al., 2012, Gidron and Hasenfeld, 2012, Pache and Santos, 2013a).

Whilst some argue that the combination of logics may be a source of innovation for social enterprise leading to the development of new practices (Reay & Hinings, 2009), a central theme within extant social enterprise literature relates to the tensions experienced by social enterprises as a result of divergent expectations arising from adherence to different logic frameworks (Dacin et al., 2011, Diochon and Anderson, 2011, Garrow and Hasenfeld, 2012, Smith et al., 2013, Battilana and Lee, 2014). Tensions may arise as a result of a fragmented organisational identity, diminished legitimacy, ambiguity regarding appropriate performance expectation and measurement metrics, incompatible organisational structures and processes, as well contradictory strategic goals and activities (Smith et

al., 2013). Furthermore, the combination of multiple logics may also lead to situations in which market objectives are prioritised, leading to the compromise of their social goals and the achievement of desired social outcomes (Dees and Anderson, 2003a, Stevens, 2011, Garrow and Hasenfeld, 2012).

BALANCING INSTITUTIONAL COMPLEXITY

Research into the manner in which organisations manage enduring competing logics is in its infancy, and as a result, we know little about the strategies and practices utilised by hybrid organisations when balancing multiple organisational objectives associated with contrasting institutional logics (Besharov and Smith, 2012). This need for knowledge is also reflected within the social enterprise literature, which lacks systematic exploration of the practices adopted by social enterprises when balancing multiple logics (Battilana and Lee, 2014).

A number of typologies have been developed that outline some generic strategies through which hybrid organisations may manage hybrid identities and logics. For example, Kraatz and Block (2008) propose that organisations may respond to institutional complexity by eliminating pluralism through denying the legitimacy of the demands; compartmentalising (decoupling) by creating different entities relative to different demands; reigning in tensions through the formation of collaborative relationships; and finally, to forge independent identities or institutions (Kraatz and Block, 2008). In a different model, Oliver (1991) proposed that hybrid organisations might engage in compromise, avoidance, defiance or manipulation when facing competing institutional demands. Utilising Oliver's model, Pache and Santos (2010b) theorise that the strategies utilised by organisations will be influenced by the degree to which the conflict is means versus goals related, as well as the degree of internal representation of the logics internally within an organisation.

At a practice level, research examining the mechanisms applied by social enterprises when managing their institutional complexity is in its infancy. Research by Battilana and Dorado (2010) found that the social enterprises employed individuals based upon their socialisability, instead of according to their previous institutional experience/socialisation were able to build a cohesive organisational identity and overcome internal conflict. In contrast, the enterprises that employed individuals based upon their area of capability experienced higher levels of tension between individuals associated with the different organisational logics. Research by Teasedale (2012) into work integration social enterprises found that a number of commercial practices were adopted by the enterprises studied, such as casualising the workforce in order to generate greater flexibilities, as well as the utilisation of commercial employment screening practices that raised the required capabilities of disabled enterprise employees. In addition to this, the enterprise employed a number of non-homeless individuals in order to productivity and overall profits, whilst reducing the costs associated with the delivery of social services. This activity of combining commercial practices with existing social practices reflects the propensity for social enterprises to 'selectively couple' at the organisational level; a term developed by Pache and Santos (2013a) from research into work integration social enterprises. According to these authors, instead of decoupling or compartmentalising their different logics, the social enterprises studied selected and combined intact practices from each logic in a way that maximised the balance achieved. The authors found that the enterprises with a priori social legitimacy were better able to adopt templates from other logics and retain their legitimacy whilst doing so.

Overall, the extant literature on social enterprise responses to their institutional complexity provides a limited explanation into the management practices enacted by social enterprises when managing multiple objectives. In order to fully understand the complexity inherent within social enterprises, further research is needed to extend our understanding as to the internal management processes utilised when managing their divergent logics (Smith et al., 2013). The purpose of this research is to address calls for research in this area (see Smith et al., 2013, Battilana and Lee, 2014) by exploring the types of organisational responses enacted by social enterprises in their attempts to balance and reconcile the contrasting prescriptions for action determined by their social benefit and commercial logics.

RESEARCH SCOPE AND METHODS

This paper reports findings from a broader research project examining the influence of institutional logics upon the actions and decision-making of social enterprises engaged in partnerships with business organisations. A case study design was utilised which enabled the researchers to uncover patterns and to build explanations in relation to the actions and decision-making of the enterprises studied (Eisenhardt, 1989). Such a strategy was appropriate for this research given the exploratory nature of the research and the nascent level of development of knowledge in relation to social enterprise decision-making (Yin, 1981, Eisenhardt, 1989, Easton, 2010).

A total of six cases participated in the research (see Table 1 below). The cases selected operate within the Australian education and training sector; a sector in which the largest proportion of social enterprises currently exist (see Barraket et al., 2010). The enterprises studied were all not-for-profits, and had a high level of integration between their social program delivery and commercial activity. This strong level of integration led to the simultaneous achievement of social and commercial objectives, which made them ideal organisations through which to observe the activities and practices used to incorporate multiple logic frameworks (Pache and Santos, 2010b, Greenwood et al., 2011, Battilana and Lee, 2014).

Semi-structured interviews were undertaken with key decision-makers within each of the enterprises studied (see Table 1). Interviews were chosen as they yield insights from people regarding their experiences, opinions, feelings and knowledge (Patton, 2002). In order to minimise key informant bias, a number of participants were sought from each case. In cases YouthReno and ClothingCafe however, it was only possible to access one participant. The interviews lasted for between 45 minutes to 1 hour, and explored participant experiences of managing contrasting logics, as well as the management practices developed and applied to reconcile multiple objectives. Data collected were complemented by the collection of data from secondary sources such as annual reports, organisational websites, as well as Internet resources.

Data was analysed using the NVivo software program. Data were firstly coded into deductive categories relating to the expressed difficulties and tensions experienced as a result of needing to balance contrasting objectives; as well as the strategies and practices utilised by social enterprises to achieve internal balance. Following this, the data in each node category was re-analysed, and new nodes were created to reflect the different themes that emerged.

Table 1 – Social enterprise case summaries

Case	Social purpose	Commercial activities	Interviewees
ShreddingEnt	Australian disability enterprise – seeks to provide meaningful and ongoing employment for disabled individuals	Paper sorting and shredding Security shredding	A1: CEO A2: Divisional Manager A3: Former CEO
YouthReno	Youth based enterprise working with those at risk of educational and employment disengagement, and criminal activity	Makes and sells woodwork items Sale of renovated houses	B1: Operations Manager
DisabilityPrint	Australian disability enterprise – seeks to provide meaningful and ongoing employment for disabled individuals	Operates a printery	C1: Business Manager C2: Sales Manager
ClothingCafe	Overcome barriers to social inclusion for refugee youth	Manufactures clothing for an enterprise based clothing label & operates a café	D1: Founder/CEO
HomelessCafe	Overcome barriers to education and employment for homeless youth	Operates a number of cafes and a coffee roasting business	E1: General Manager of Operations E2: CEO
YouthFilm	Distributes educational films to schools, supporting independent film makers	Operates a subscription program for films	F1: Founder/Managing Director F2: Board member

FINDINGS

The challenges of institutional complexity

The findings indicate that balancing the social and commercial objectives created challenges for all the enterprises studied, considered by many to be the *'nature of the beast' (Participant D1: ClothingCafe)*. Tensions were experienced when managing the trade-offs between the commitment to the generation of social benefit for enterprise beneficiaries, and overall enterprise flexibility and commercial capabilities. The second major challenge identified arose from the need for social enterprises to develop social and commercial legitimacy within different institutional frameworks. These tensions will be explained in further depth below.

<u>Trade-offs between social benefit commitments and organisational flexibility and output</u>

A number of enterprises described how the pursuit of effective social outcomes often led to an outcome of diminished profit generation by the enterprise, which had a number of ramifications in relation to the expansion of the enterprise's social and commercial activities, and overall sustainability. In many instances, the social mission of the enterprises reduced the flexibility of the enterprises to manage their workforces in a way that maximised revenue generation and overall profit. As stated by Participant C1 (DisablityPrint):

> *If we didn't employ people with disabilities, for the same printery, we would probably have 3 qualified bookbinders that would do the same amount of work as 26 people with a disability.*

For ShreddingEnt, the commitment to the employment of disabled workers meant that the enterprise was unable to downsize their workforce during times of lesser demand for its products and services, generating less profit as a result.

The data also indicated that the adherence to a social logic had the potential to inhibit the expansion of commercial operations. In some instances, enterprise expansion was either delayed or restricted in order to ensure that commercial objectives were not given priority over core social missions. For example, a conscious decision had been made within ClothingCafe to restrict the expansion of the enterprise so as to ensure the wellbeing of the staff and students remained at the forefront of their activities. The participant in this case expressed the important of not growing 'beyond human scale' (Participant D1). In a different example, ShreddingEnt had delayed mechanising a number of production activities as doing so had the potential to reduce the involvement of its workers in its processing activities, thus challenging its core mission to provide meaningful and ongoing work for its disabled employees.

Organisational legitimacy

The combination of social and commercial logics also had implications for enterprise legitimacy. A number of enterprises perceived that their social orientation diminished their legitimacy as a business, and as such, they strove to prove the quality of their product/service offerings. As stated by one participant,

> *[W]e want our enterprise to be positioned as equal value as other businesses, we don't want to be seen to be, because we're a social enterprise or a non-profit organisation, somehow inferior in quality or effectiveness of what we produce" (Participant D1: ClothingCafe).*

A similar challenge existed within ShreddingEnt, in which Participant A2 was trying to change the marketing orientation of the business to more strongly align with and reflect the enterprise's commercial capabilities, whilst seeking to separate itself from perceptions of it being a 'sheltered workshop'.

In addition to concerns for commercial legitimacy, the protection of the enterprise's social legitimacy was a challenge raised by many participants, particularly in the context of collaborations with mainstream businesses. A number of enterprises had declined offers for partnership with business organisations they perceived did not share similar social values. Collaboration was considered by some participants to risk the social legitimacy of the enterprise, potentially undermining the ability of the enterprises to support their beneficiaries. For example, the participant from ClothingCafe felt that the emphasis placed upon poverty, disadvantage and hardship by businesses when selling their goodwill through CSR marketing undermined the core values of the enterprise to empower their students and staff, and to build their confidence and trust. As such they were wary about commercial partners, as they did not want to risk losing their social legitimacy and trust amongst their staff and students.

Other enterprises such as HomelessCafe had also sacrificed commercial objectives in order to protect their social legitimacy. This enterprise had declined offers for partnerships from a number

of hotel groups, due to the perception that the businesses did not operate within an industry considered to be ethical, and aligned to the enterprise's social values. As stated by one participant,

> *We desperately needed the money, but for us it was just, it would have been too much of a sell-out (Participant E2: HomelessCafe).*

Practices used to manage tensions between social & economic organisational objectives

The next section outlines the practices developed by the enterprises studied when managing the achievement of both social and commercial objectives. These practices involved creating internal dialogues to assist with the development of a hybrid mindset, the development of practices that focused decision-making efforts of both social and commercial issues, and also the development of practices ensured certain objectives did not compromise other objectives.

Developing a hybrid mindset

The first practice involved challenging existing conceptualisations of profit within the social enterprise itself, and creating new dialogues supporting the legitimacy associated the generation of profits. As one participant noted, "*unless you're sustainable, it doesn't matter what social impact you're having" (Participant F2: YouthFilm).* The research revealed that many social enterprises had actively fostered the development of a shared internal understanding of the importance of profit generation in relation to the overall sustainability of the enterprise – both in terms of operational viability and the achievement of social objectives. In ShreddingEnt, participant A2 had been particularly emphatic about the importance of developing greater acceptance internally regarding the incorporation of a 'business' mindset into the manner in which activities were organised.

> *We are a business and if we don't have the business we don't have the facility, we can't employ the people we can't do the job we intend to (Participant A2: ShreddingEnt).*

The ability for enterprises to look at the big-picture was also highlighted as being important when striving to achieve balance between commercial and social benefit logics, and in developing a hybrid mindset. For example, instead of seeking to determine how different enterprise logics were balanced within individual projects, participants within HomelessCafe adopted a wider organisational perspective of balance, instead of focusing upon the balance achieved in specific projects. Doing so was considered a more productive approach to balancing tensions between achievements of differing logics, given the fact it was at times necessary for some projects to prioritise revenue generation, as doing so would support the programs that were socially oriented and did not generate revenue. In other enterprises such as YouthFilm, a hybrid mindset was developed in conjunction with input from board members. For this enterprise, enterprise management relied upon the input of board members to help retain a focus upon the commercial goals of the enterprise. This was particularly important, as the CEO was the founder of the enterprise and was thus strongly focused upon the development of desired social impacts.

Introducing practices to focus attention upon both social and commercial organisational outcomes

This research suggests that the combination of contrasting objectives may be successfully achieved through the development of management structures and processes that foster integrated decision-making. According to participants in HomelessCafe, the success of the enterprise was perceived to be based upon its non-siloed decision-making practices. When making decisions, managers within the organisation considered the impact of their decisions upon the enterprise's multiple objectives, and not just the objectives related to a specific operational unit. This ensured that decisions were not made in isolation to the bigger picture goals of the enterprise – meaning that both the commercial and social benefit logics were better able to be considered and therefore balanced within organisational decision-making. An example of these integrated decision-making processes was provided by the enterprise when discussing its partnership strategy. The enterprise had developed a decision-making matrix that provided a list of criterion that any potential business opportunity had to satisfy in order to be considered. This matrix ensured that any partnership decisions made by the enterprise could be assessed according to their alignment with the social, environmental and commercial goals of the enterprise.

Another practice adopted to balance multiple logics was to ensure adherence to performance standards that accounted for both social and commercial outcomes. For the ADE's, adherence to the wellbeing of their disabled workers was measured by audits undertaken by outside parties, and was a requirement of their government funding. For other enterprises, their small size meant that performance expectations could be measured against criteria developed internally in consultation with a variety of stakeholders. The implementation of assessment criteria was considered to be a necessary element to enterprise management during development and growth, ensuring that each objective was given equal priority within the processes and decision-making that occurred.

Developing practices to ensure that commercial objectives do not undermine social objectives

In order to ensure that the commercial activities of the enterprise did not distract the enterprise from their focus upon positive beneficiary outcomes, participatory management and decision-making practices were implemented by half of the enterprises studied. These practices incorporated a number of enterprise stakeholders including employees, beneficiaries and board members. For example, regular coordination meetings were held with the teachers and managers within ClothingCafe, with employees and students given the opportunity to provide feedback to the enterprise management in weekly staff meetings. Both these meetings provide the enterprise the opportunity to take on board feedback and criticisms that better enable the enterprise to meet the needs of their employees and students.

Participatory management within DisabilityPrint was evident from the placement of an employee representative upon the enterprise's board, and the development of workers committee designed to communicate any concerns or requests from the workforce to management. The importance of consultation was also expressed by participants within ShreddingEnt, and was a relatively new management initiative:

> *My style of management is consultative – so I'll talk to all our guys, but particularly supervisors that we have to involve them in decisions (Participant A2: ShreddingEnt).*

Development of practices to ensure that social objectives do not compromise commercial sustainability

The final activity identified involved the development of practices designed to support commercial sustainability. Within ShreddingEnt, increasing internal acceptance of the importance of a profit orientation had led to greater emphasis being placed upon the development of employees within the enterprise. As a result, the enterprise had developed performance management procedures as a way through which to better monitor employee output, but also as the means through which to monitor employee development. In a different example, DisabilityPrint had developed a network of casual employees to draw upon when finishing large client jobs. These networks were utilised to overcome limitations in workforce productivity, which enabled them to uphold deadline requirements for business clients.

DISCUSSION

The findings suggest that the need to balance goals of profitability with the creation of effective social outcomes create challenges for social enterprises in relation to their levels of profitability attained, organisational growth and expansion, as well as perceptions of enterprise legitimacy in reference to their commercial and social benefit logics. The challenges are illustrative of the performing tensions experienced by social enterprises (see Smith et al. 2013); a common challenge theme discussed within the literature (Diochon and Anderson, 2011, Teasdale, 2012). The findings also reflect another commonly discussed tension – the restriction of enterprise expansion and growth (Dees & Anderson 2003a).

In addition to restrictions upon growth, the findings illustrate how challenges are experienced as a result of the need to align enterprise actions with the expectations of individuals within domains of practice from which their logics derive (Huybrechts and Nicholls, 2013). The struggle to overcome perceptions of the quality produced by the 'less-abled' reflects extant research into disability oriented social enterprise (Diochon and Anderson, 2011). This research suggests that this challenge may not only be confined to social enterprises that support disabled individuals, but also those that support individuals perceived by general society to be 'disadvantaged' or less-skilled. In addition to issues of commercial legitimacy, the research supports extant literature regarding the difficulties for social enterprises to retain their social legitimacy within collaborations with organisations from the private sector. As indicated by previous research (Huybrechts and Nicholls, 2013), social enterprises may select partners that align with their social values, thus protecting their social legitimacy

In addition to exploring the challenges associated with their hybrid nature, this research also sought to identify the management practices utilised by social enterprises when managing multiple objectives. The data collected enhances our current understanding regarding the internal operation of social enterprises, providing specific illustration as to the pivotal role of managers in the development of a hybrid mindset. Managers were found to play an important role in challenging existing conceptualisations regarding the pursuit of profits, and encouraging greater consideration of innovative application of profit oriented activities towards achieving social outcomes. These findings reflect propositions in the literature that suggest that leadership and managerial discretion is highly important in the ability for social enterprises to balance contrasting logics (Battilana and

Dorado, 2010, Pache and Santos, 2010a). This research also illustrates the role of management in developing organisational structures that enhance the integration of multiple logics within internal decision-making. Whilst previous theorising has identified the importance of integrated processes in the reduction of internal conflicts within hybrid organisations (Besharov and Smith, 2012), limited research exists that indicates how such integration is created. This research highlights two strategies through which this is enabled. Firstly, the development of structures that enhanced integrated perspectives within management teams helped to ensure that both social and commercial goals were considered within decision-making. Secondly, the creation of criteria based tools were found to support internal decision-making, as was the implementation of outcome based measurements that accounted for both social and commercial goals.

Previous research has indicated that social enterprises manage institutional complexity by adopting intact practices from each logic - i.e. selective coupling (Pache and Santos, 2013a). This research supports the findings of Pache and Santos (2013), illustrating how the enactment of institutional practices helped the enterprise to protect the achievement of specific goals and values associated with different logics. For example, participatory management and decision-making practices were implemented to ensure that commercial activities did not compromise the enterprise's focus upon the individual, whereas the emphasis placed upon employee development, and the development of a casualised workforce reflects efforts by the social enterprises to protect enterprise productivity, efficiency and revenue generation.

CONCLUSION

Our purpose in this paper was to explore the practices utilised by social enterprises when managing multiple demands arising from contrasting social benefit and commercial logics. We examined scenarios of tension experienced by different social enterprises, and the types of practices adopted to facilitate a balance between social benefit and commercial logics, and their associated objectives. Overall, the social enterprises studied were faced with a number of trade-offs between the commitment to enterprise beneficiaries and enterprise flexibility and productivity. Furthermore, the requirement to appear socially and commercially legitimate created challenges in relation to the operational and partnership strategies of the enterprises. In response to these challenges, a number of response patterns were observed including the development of a hybrid mindset, as well as the implementation of structures and practices designed to share enterprise attention across multiple logics whilst minimising potential logic compromises.

The findings of this paper contribute to theory in a number of ways. Firstly, the research has further developed existing knowledge regarding the challenges experienced by social enterprises as a result of their institutional complexity. Furthermore, the research has contributed to institutional logics theory by showing how social enterprises operationalise their commercial and social benefit logics within their day-to-day practices, as well as the types of practices and processes that are developed and applied in order to both manage and balance their multiple objectives. These findings provide valuable practical insights into practices that may be utilised by businesses to achieve stronger integration between contrasting logics. For example, successful implementation of a CSR strategy is more likely when employees are motivated to engage in such initiatives, and as such, the actions of social enterprise to introduce different mindsets into their organisations may be required within a business context also. Businesses may also wish to implement participatory management and

decision-making, as doing so ensures that stakeholders are considered and enhances the overall effectiveness of CSR strategies. Lastly, the development and implementation of decision-making criteria may help businesses to ensure that CSR decision-making aligns with fundamental business values.

A number of opportunities exist for future research. As this study was exploratory in nature and used a small sample of cases, larger studies are needed to further develop our knowledge in this field. Given the single institutional and industry context in which the research was undertaken, future research may wish to explore the practices and strategies enacted by social enterprises within different industries and country contexts when faced with multiple, and contrasting logic frameworks. Furthermore, to further understand the type of challenges and response strategies utilised by business, research into the mechanisms and practices applied by businesses is required.

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Social Entrepreneurship & Social Enterprise

CONFERENCE THEME: "Reclaiming the Societal Dimension"

EXPLORATION OF AN EMERGING SUSTAINABLE BUSINESS MODEL: THE B CORP MODEL

Wendy Stubbs[1]

Abstract**:** Hybrid business models are an emerging phenomenon that employs market tactics to address social and environmental issues. The B Corp model is one form of a hybrid model. It is a for-profit, socially obligated, corporate form of business, with traditional corporate characteristics but also with societal commitments. This paper reports on the experiences of fourteen early adopters of the B Corp model in Australia. The primary aim of the B Corps can be summarised as *profit with a purpose* – making profits to create positive social and/or environmental impacts. The key motivation for certifying as a B Corp was the alignment of values and a formal validation of the companies' business philosophy and approach. Success was not gauged by maximising profits for owners/shareholders, but the *impacts* the businesses are making. Profits are a *means* to achieve positive social and environmental contributions.

Keywords**:** hybrid business model; corporate social responsibility (CSR); corporate sustainability; for-profit; social purpose

INTRODUCTION

The dominant business model is rooted in neoclassical economic theory (Brenner & Cochrane, 1991; Key, 1999; Stormer, 2003), according to which the primary obligation of corporations is to maximize profits for shareholders. Typically, social and environmental goals are subordinate to the primary goal of creating economic value (Freeman & Gilbert Jr, 1992). However, the dominant business model is outmoded in the twenty-first century (Kelly & White, 2009) and "unavoidable structural inhibitions in contemporary business models" prevent companies from becoming sustainable (Birkin, Polesie, & Lewis, 2009, p278). Fundamental change to traditional business models is needed to respond to societal, natural, and business needs of sustainable development (Birkin, Cashman, Koh, & Liu, 2009; Stubbs & Cocklin, 2008a). In addition, the majority of effort of organisations to address sustainability issues is considered an "add-on" to what remain essentially unsustainable business operations (Markevich, 2009). Metcalf and Benn (2012) suggest that the dominant business model now threatens human survival.

New business models are required to move beyond the neoclassical 'business-as-usual' model, where organisations are perceived as economic entities (Stubbs & Cocklin, 2008a), to models where sustainability concepts (such as environmental stewardship, respect for persons and nature, and social equity) "play an integral role in shaping the mission or driving force of the firm and its decision making" (Wicks, 1996, p104). Although there have been several attempts to define a business model that prioritizes sustainability, Birkin, Poleis & Lewis (2009, p288) conclude that the

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initiatives do not involve a radical change to the prevailing economic-focused business model, and they "are not integrated by a comprehensive new understanding that could be identified as a new business model."

New hybrid "common-good mission-centred" (Boyd, Henning, Reyna, Wang, & Welch, 2009, p9) models of organisations are now emerging that "employ market tactics to address social and environmental issues" (Hoffman, Badiane, & Haigh, 2012, p133). The hybrid "sustainability-driven business model" (Hoffman et al., 2012, p135) has three fundamental characteristics: an objective to drive positive social and/or environmental change; create mutually beneficial relations with stakeholders; and, influence the market, competitors and industry institutions (Haigh & Hoffman, 2012; Hoffman et al., 2012).

One form of hybrid model that has emerged in the last few years is the 'B Corp'. B Corps have a dual social and economic purpose, as opposed to the single profit maximisation purpose of business-as-usual. The aim of this paper is to report on a research study that explored the characteristics of the emerging B Corp model in the Australian context. The paper first provides some background information on hybrid organisations and B Corps, discusses the methodological approach to the study and then presents the findings from the research. The paper concludes with a summary and reflection on the findings.

HYBRID BUSINESS MODELS AND THE EMERGENCE OF B CORPS

Hybrid organisations "employ market tactics to address social and environmental issues" (Hoffman et al., 2012, p133). While still emergent, the number of hybrid organisations is rapidly growing, gaining prevalence in the business sector (Hoffman et al., 2012; Le Ber , Bansal, & Branzei, 2010; Pache & Santos, 2013). Hybrids incorporate, often incompatible, institutional logics and are "by nature arenas of contradiction" (Pache & Santos, 2013, p972). The integration of market and social logics poses unique challenges for hybrids, and it remains to be seen if they constitute a viable organisational form (Pache & Santos, 2013) to challenge the dominance of business-as-usual.

B Corps are for-profit, socially obligated, corporate forms of business, with traditional corporate characteristics but also with societal commitments (Hiller, 2013). B Corps need to be distinguished from 'benefit corporations'. While they share much in common, a benefit corporation (BC) is incorporated as a BC under a state statute and is "legally obligated to pursue a public benefit in addition to its responsibility to return profits to the shareholders" (Hiller, 2013, p287). B Corps are certified by B Lab, a non-profit organisation founded in 2007 in the USA, as having met a high standard of overall social and environmental performance (B Lab, 2014). To become a B Corp, a business must complete an Impact Assessment, which assesses the overall impact of the company on its stakeholders, be assessed by B Lab, submit supporting documentation, complete a disclosure questionnaire, revise articles of incorporation or governing documents as necessary, sign the B Corp Declaration of Interdependence and Term Sheet, and pay an annual fee based on annual sales of the company. To be certified, the business must earn a minimum 80 points out of a possible 200 points in the assessment. B Corps recertify every two years and ten percent of certified B Corps are randomly selected each year for an on-site review. B Lab claims that "B Corp certification is to sustainable business what LEED certification is to green building or Fair Trade certification is to coffee … or USDA Organic certification is to milk" (B Lab, 2014), and it is proposed that B Corps

and BCs will become mainstream (Bice, 2013); "a new corporate model for a new century" (Sargsian, 2012). The growth of B Corps is in response to the most recent financial crisis and low levels of trust in corporations (Bice, 2013; Hiller, 2013; Sargsian, 2012).

As B Corps are an emerging phenomenon and little research and theorisation has taken place (Pache & Santos, 2013), an exploratory study was conducted to investigate the characteristics of the B Corp business model in Australia.

RESEARCH APPROACH

A qualitative research study was undertaken, drawing on interviews with Australian certified B Corps. At the time of the research, there were 922 B Corps across 29 countries and 60 industries, with 19 operating in Australia. The Australian B Corps cover a wide range of industry sectors, including: financial services, financial consulting, investment advisor, business products & services, design/build, sustainability consulting, HR consulting & recruiting, film & music production, consumer products & services, media/print publications, social clubs, marketing & communication services and IT software & services.

Table 1: List of participants

Code	Sector	No. of staff	Age	Certified
FS1	Financial Services	< 10	13 years	2013
FS2	Financial Services	> 20	28 years	2014
FS3	Financial Services	< 10	2 years	2013
FS4	Financial Services	< 10	7 years	2012
S1	Other services	< 10	13 years in total. 3 years as for-profit	2013
S2	Other services	between 10-20	3 years	2013
S3	Other services	between 10-20	29 years	2014
S4	Other services	> 20	7 years	2013
S5	Other services	< 10	2 years	2014
S6	Other services	< 10	4 years	2012
P1	Products	< 10	13 years	2013
P2	Products	< 10	5 years	2012
P3	Products	< 10	5 years in total. 3 years as for-profit	2013
P4	Products	between 10-20	9 years	2013

All companies from B Lab Australia's list of certified B Corps were approached to participate in the research. In-depth semi-structured interviews were held with the founder/director or the person responsible for driving the B Corp agenda in each of the participating companies. All of the companies are small-medium size, with fewer than 100 employees. Two companies are publicly listed (one on the ASX and one on the NSX) but all others are privately held companies.
14 of the 19 Australian B Corps were available for an interview, including one publicly listed company. The interviews were of the duration of 60 to 75 minutes and were conducted during March-April 2014. 13 were face-to-face and one was via phone. They were all recorded (with consent) and transcribed to aid the analysis process. The interviews explored each organisation's business model, motivation for certifying as a B Corp, its business practices and how it measures success.

The transcribed interviews were coded and refined into categories using qualitative research coding techniques (Strauss & Corbin, 1998) and the NVIVO software system. Through coding at the word, phrase, sentence and paragraph level, patterns emerged within the data to draw out key themes (Neuman, 2003; Patton, 2002). An interpretive approach, utilising qualitative data collection and analysis methods, is an appropriate methodological approach in exploratory research of this nature (Crane 1999).

To retain confidentiality of participants, the organisations are grouped into three broad industry sectors (financial services, other services, products) and the names of the organisations and individuals are not identified. Codes are used to identify the participants (see Table 1).

FINDINGS

Purpose of business

The neoclassical economic view of the purpose of business is epitomised by Milton Friedman (1970) who declared that the only purpose of business is to make as much money for shareholders as possible. None of the B Corps talked about their purpose in neoclassical economic terms of maximising profits but were more aligned with Charles Handy's (2002, p52) view that "maximizing profits is not a proper purpose… [the purpose] is to make a profit so that the business can do something more or better." One interviewee summarised this approach as *"profit with a purpose."* Their objective is to:

> *always make the product the best we can and if we can make enough margin to sustain the business and reinvest in new products, then we're happy. [P4]*

Eight of the interviewees referred to the purpose of their businesses as one of creating change or in the words of one B Corp, "*our business model is … a tool for change*". Two B Corps referred to *disrupting* the prevailing profit-maximisation business model by *"proving a model of a different way of doing business"* that encompasses multiple purposes (for-profit, social and environmental). Reinforcing this perspective, five B Corps said their purpose is to create social and/or environmental outcomes and impacts, and six B Corps referred to their dominant objective as making a positive contribution, not just to their customers and clients but also to the broader community and society.

However, there is still a focus on *"maximising the financial returns available,"* but profits are seen as a *"by-product of getting [environmental and social] wins across the … whole supply chain"* and as a means to achieve a larger end (Handy, 2002) by *"creating positive impacts through that business model."* Making profits and creating positive impacts are not mutually exclusive; according to these B Corps there shouldn't be *"a polarisation between making a contribution to the community and making a profit."*

The business model

All the B Corps talked about their business model as being a traditional commercial business model in the sense they sell their products in the commercial market and/or charge fees for their services to generate profits. However, the major difference with the B Corps is that their business models are

driven by purpose underpinned by a sustainability-focused mindset or philosophy or set of values *"that we didn't want to compromise on"*:

> *So when we look at supply chain, who are the partners that we align with that don't compromise these values that we believe in; are they treated well; are they working in environments that are safe, ethical; and are we supporting them and growing together? Are we actually giving back to our immediate community and wider community and how are we doing that through our business? Are we actually playing a role in educating and creating a shift in the way that we consume products? [P2]*

Three people referred to their business models as hybrid models: *"for-profit and a not-for-profit hybrid model; would see it more as a hybrid between the contribution of quality design with those social initiatives."* Others reduce their margin on their products because they are servicing a need at an affordable cost for their customers, or *"absorb as much margin as we possibly can so that we can still survive as a business"* or reduce their fees, because it is not about maximising profits but generating enough profits to support the purpose: *"We run as a business, but all of our profits go back into our business to support and develop our [business], and people seem to be comfortable with that."*

One B Corp pointed to a primary difference between the *profit with a purpose* B Corp model and business-as-usual:

> *And I think that there are a lot of businesses out there that genuinely want to do those things but I think that often that comes once success comes and then it's about, okay well now we're making a profit, how can we actually, let's give a percentage of that back to a community or let's start to do something with that, which I think is amazing. But I love the idea that from the conception of the business, you can actually be operating as a commercial business model, entity, but at the same time ensure that these principles and values are withheld across all the decision-making from the very early days which I think sets a really strong foundation for success, and defining new ways of success really. [P2]*

Motivation for certifying as a B Corp

The primary driver for certifying as a B Corp, mentioned by eleven B Corps, was that there was already an alignment of values and it *"just made sense"* and *"so it was a natural fit."* These B Corps felt like they were already operating as a B Corp: *"We always felt we were a B Corp without knowing what a B Corp was."* Five B Corps mentioned that they are aligned with the principles of Conscious Capitalism[2] and they felt that the B Corp values were *"very consistent with the conscious capitalism model."*

[2] **Higher Purpose**: Recognizing that every business has a purpose that includes, but is more than, making money. By focusing on its Higher Purpose, a business inspires, engages and energizes its stakeholders.
Stakeholder Orientation: Recognizing that the interdependent nature of life and the human foundations of business, a business needs to create value with and for its various stakeholders (customers, employees, vendors, investors, communities, etc.). Like the life forms in an ecosystem, healthy stakeholders lead to a healthy business system.
Conscious Leadership: Human social organizations are created and guided by leaders – people who see a path and inspire others to travel along the path. Conscious Leaders understand and embrace the Higher Purpose of business and focus on creating value for and harmonizing the interests of the business stakeholders. They recognize the integral role of culture and purposefully cultivate Conscious Culture.
Conscious Culture: This is the ethos – the values, principles, practices – underlying the social fabric of a business, which permeates the atmosphere of a business and connects the stakeholders to each other and to the purpose, people and processes that comprise the company. (http://www.consciouscapitalism.org/)

If all business adopted the B Corp values *"and were about purpose and are happy with a reasonable return to shareholders, we'll have capitalism turned on its head a bit, but it'll be a much better world."*

For nine of the interviewees, the B Corp certification provided a visible way of classifying the type of business they are and the company they keep, as well as validating and explaining their business approach to stakeholders.

Another key driver for certifying as a B Corp was that it gave them access to a wider community of like-minded businesses (eight companies). Being part of a *"new emerging ecosystem"* provided increased opportunities for collaboration, support infrastructure and the opportunity to do business with other like-minded companies.

For six B Corps, the assessment framework for (re)certifying as a B Corp provides an opportunity to continually benchmark their performance and practices against global *"best practice models*, *players or peers in the other industries,"* and to *"improve our performance as well."* And while the B Corp brand, or label, was a significant driver for certifying as a B Corp, *"it's not just a certification slapped on a business, it's actually a tool and a vehicle to continue to grow and improve your operations within the company."*

Implementing the B Corp model

The most significant changes required to implement the B Corp model were related to formalising business policies and processes. Seven B Corps stated that there were no significant changes required in the business operations as they were *"already there and that's why it resonated so strongly … I don't know if it's changed what we've done. I think it's just codified what we did already."* However, all fourteen B Corps said that they made changes to, or were already in the process of revising at the time, their policies and/or processes during the certification process. Apart from changes to polices and process, three people pointed to more subtle changes, in terms of the way they think about running their business: *"I think it's been to focus our minds in the way in which we run the office*, *in the ways in which we resource the office."* Certifying as a B Corp also can provide a mechanism to hold them to account:

> *I think it's more that now whenever we sort of come across something, we think oh well, we should or shouldn't do that because we're a B Corp. So I feel like it is holding us to … do the right thing because we're a B Corp. [S2]*

Benefits of certifying as a B Corp

The major benefit of being a B Corp, identified by thirteen companies, was the access to a community, or *tribe* of *"like-minded businesses that you can work with, that you can learn from, that you can be inspired by."* The *shared values* of the B Corp community facilitate *"doing business B Corp to B Corp … where a lot of the trust which is required to form a relationship has been fast-tracked."* However, seven people noted that it was *"very early days, so I wouldn't say [the benefits are] there yet."* As the number of B Corps increases, opportunities for inter-B Corp business development are likely to increase, as is occurring in the USA.

While the B Corp *label* was a strong motivation for nine companies to certify as a B Corp, five B Corps are seeing tangible benefits of using the B Corp label. For one, having the B Corp branding

on their website really *"helps shape our story in terms of being authentic and true to label from a value perspective* and this attracts clients because *they're looking at those additional layers of what we're about before they pick up the phone … it gives us that extra little bit."* While the B Corps could identify benefits from being part of the B Corp community, only three felt that it contributed to the success of their companies. Eight B Corps did not think that it was *"fundamental yet* to their success. For one it *just validated the last nine years of what we've done and what we've always believed in*." These B Corps would be behaving *"the same way if we were or were not a B Corp*." Six B Corps thought that it would become more important to the success of the company as the number of B Corps increased in Australia.

Issues and challenges

The most significant challenge for B Corps in Australia, identified by ten people, was the actual (re-)certification process – the time it took to complete it and the resources required to support the process. The companies have to provide *"a lot of the policies and procedures … that can take a reasonable amount of time"* and, particularly for small-medium size companies, *"it's often the proprietor or principal who has to invest that time because they are often the only person with the knowledge to actually answer the questions."* But while the process was deemed *"lengthy*, *tedious*, *daunting*, *exhaustive and in-depth*, it was also seen as *a really useful exercise in itself."*

The majority of the Australian B Corps are small companies with less than ten employees. None of these companies talked about internal cultural change issues as their employees were *"on the same page."* However, one of the largest B Corps found it challenging to engage employees around being a different type of business:

> *I don't think people connect the two things, connect the fact that we're looking to be a different type of business back to reward and remuneration, for example. I think staff in their work compare themselves 100% to what their peers might be doing in other firms and not really taking into account the purpose part of the element. That maybe more about us communicating it better and more often and making them more aware of how we're different. But the whole issue around self-interest is still there I think, even within a firm that's focused on purpose and profit and around sustainability. [S4]*

Being a *"B Corp in a non-B Corp world"* could also raise challenges for growing a business due to the lack of alignment of business values and approach *"if a particular business is interested in buying us or if we're looking to merge with another business."*

Measuring success

Given the B Corp model is a for-profit business model, all the interviewees agreed that profits are a key measure of success of the business. However, no company stated that its aim is to maximise profits. For four B Corps, the focus is on financially breaking even as profits can vary considerably from month to month and year to year. Others referred to making small profits, not making great profits or super profits. Pache and Santos (2013, p972) argue that hybrid organisations such as B Corps are caught between the competing demands of the market logic and the social welfare logic that they combine which raises dilemmas such as: "Should they distribute profit to their owners or reinvest it in their social mission?" For the B Corps, this was not a dilemma; the priority was on the societal impact, and the profits from the business allowed them to reinvest in their products and

services to grow their businesses to increase their positive impacts. One B Corp described the profit distribution process as: retaining enough profit for growth of the business followed by staff bonuses and then dividends to the shareholders/owners.

Ten people explicitly talked about success in terms of what the profits allowed the business to do to make an *impact* and fulfill their social purpose: *"You need to be profitable to be able to give back."* The business-as-usual model promotes perpetual economic growth, which is a mark of success for traditional businesses (Haigh & Hoffman, 2012; Stubbs & Cocklin, 2008a). One person explicitly talked about growth as an objective of the business but in terms of the company's *impact*:

> *So the definition of success is actually growth … because of the impact that has …. The more money we have, we know that more money is going to positive and taken away from negative and as long as we're growing faster than the market, which we are, we know that we're having a greater impact. [FS2]*

Another six people talked about growing the business to allow them to increase their social impact; it is not about *"growing just for the sake of growing."* Three of them are motivated to grow to *"incubate and help certain other businesses amplify their own impact … the more money we get the more businesses we can invest in that we think [are] changing the world."*

While six people explicitly talked about the importance of *traditional* financial metrics and formal revenue and profit targets to measure success (such as number of clients, profits, sales, return on investment, internal rate of return) nine people emphasised that success was foremost measured by the company's impact. While one B Corp found it *"hard to measure social impacts… that's a challenging thing and something which we struggle with,"* eight people had quantitative and/or qualitative measures of success: *"Where it's not hard metrics that we can measure, it's more about the sense of the impact that we're making just through customer feedback, through retailer feedback and things like that."*

A criticism of business-as-usual is that sustainability initiatives are often 'cut' if profit targets are not met (Stubbs & Cocklin, 2008b). Three people explicitly talked about the social purpose focus of the business, regardless of their level of profitability, because it is intrinsic to the business model: *"The question of how much profit is enough is subjective … we maintain a commitment to what we do from a social perspective, somewhat irrelevant of where we're sitting at any one time in that regard."* Two companies contribute a percentage of their revenue or profit to support their social purpose, regardless of their level of profitability. For one it is constitutionally *"written, so we can't avoid that."*

B Corps' pricing and profit-margin models are markedly different to business-as-usual. Pricing is not driven by profit-maximisation motives. For one company,

> *to produce an organic [product] is four times the price of producing a conventional [product] yet we only retail it for 20% more. So we made a decision to absorb as much margin as we possibly can so that we can still survive as a business… without damaging the quality of the product, how can we reduce the cost … because we just want [people] to have access to these products. [P2]*

Ten companies talked about the *balancing act* in pricing their products and services, and determining how much profit is enough. This is done on a *"case-by-case basis… how do we balance what we'd like to do to improve the environmental performance which costs a lot of money … and still provide our investors with a*

[return]," and is built into the pricing models from the outset: *"We make the decision to try to disrupt the market through essentially taking a cut on profits… So that decision doesn't happen at the end, it happens in the beginning."*

For one B Corp, *"we always put a profit margin on everything because otherwise we're not going to be around"* but others incorporate a not-for-profit or pro-bono component in their business model. Two explicitly talked about adjusting their prices depending on the ability of their clients to pay and for one, *"making sure that our generosity doesn't get the better of us can be a challenge … [it's] still a balancing act."*

Mainstreaming the B Corp model

There is a strong belief by four B Corps that the model will become mainstream, to the extent that *"this is going to be business as usual, not business as unusual in the future"* and *"in 20 years it's redundant."* The others are hopeful of it becoming *"the norm."* All agreed that it will be *"niche for a while"* until the *"movement"* reaches a critical mass, although there was no agreement on what a critical mass encompassed.

DiMaggio and Powell (1983) identified three factors that drive institutionalisation: coercive isomorphism (pressures exerted on organisations by institutions such as governments and other powerful stakeholders), mimetic isomorphism (imitating or mimicking the activities of similar firms), and normative isomorphism (professionalisation). Two aspects of professionalisation are important: formal education through universities and professional training institutions, and the growth of professional networks. Three people referred to mimicry as being a driver of mainstreaming the B Corp model through bigger businesses adopting the model *"as the brand becomes better known"*:

> *Having medium-scale, quite commercial enterprises become B Corps, it then opens up the door for other like-minded groups to follow. [S3]*

Another pointed to the *social status, so the pride factor* of being *good,* which larger companies will want to follow, *which is what branding's all about*. There is currently no pressure from government or powerful stakeholders, but legislation to formally recognise B Corp status, such as the Benefit Corporation legislation in the USA, is a form of coercive pressure. With regards to professionalisation, one person directly referred to this process:

> *In ten years the [B Corp] concept is something that people study as part of their commerce degree and, you know pursue a major in impact investment, have it as part of the MBA course at Melbourne University. I see those as markers and milestones of when it becomes more mainstream when you can actually study it at the major universities where you have graduate recruitment in that area. And if we can play a small part in that … I would hope that that's where we were in ten years, not just from the balance sheet and profits point of view but also mainstreaming that shift. [FS3]*

Ten B Corps have adopted a number of approaches to influence the institutionalising of the B Corp model, primarily through advocacy activities to promote the B Corp values and model and educating people about a better way to do business. This entails engaging with governments directly and through industry bodies by making submissions, engaging with companies *"to keep them improving,"* engaging directly with individuals – *"Where we have our biggest impact is probably the individual level because*

they can make changes instantly" – engaging with clients, and through campaigns and public seminars targeted at raising awareness and changing industry practices.

Another approach is *"going into schools and actually re-educating about the kind of narrative that they tell young [people]."* Five others talked about lobbying government for initiatives to support B Corps, such as *"tax incentives for investment into social enterprises and B Corps,"* working individually and with others to drive policy changes, and disrupting the way that government functions to affect change – *"we call it cooperative disruption so we cooperate with government to disrupt the way that people engage with them to affect change in that bigger picture."*

Three of the smaller B Corps did highlight that they struggled with influencing the wider sustainability agenda as, for one B Corp, *"we're obviously not a multi-national business, so for us our share of voice in terms of the market is still quite small."* Another was motivated to have a wider influence, but with only two people in the business, it was challenging:

> *What I'm craving is to change things and you can't do that if you're doing projects for the same people who think you're great and that you're doing wonderful stuff. You kind of have to go out and have the balls to talk to people in the boardroom and it's like getting to those people that's really challenging. So yeah, like at the moment we're very mission-aligned but I definitely want to work for people who don't necessarily agree with me straight away because that conversion rate would be something I'd want to measure in the future. [S6]*

CONCLUSIONS

In a recent interview, the CEO of Unilever, Paul Polman, argued that while capitalism "has served us enormously well … it has come at an enormous cost: unsustainable levels of public and private debt, excessive consumerism, and, frankly, too many people who are left behind" (Kirkland, 2014). He believes that capitalism must evolve, which requires different types of business models and business leaders:

> *Business is here to serve society. We need to find a way to do so in a sustainable and more equitable way not only with resources but also with business models that are sustainable and generate reasonable returns.*

The B Corp model is an example of a new business model that seeks to address these social and environmental issues: using a for-profit business model to drive a social impact purpose. The research findings provide a snapshot of how the B Corp business model is emerging in Australia and a picture of the characteristics of this new model. The research study revealed a consistency of views about the primary aim of the B Corps, which can be summarised as *profit with a purpose* – making profits to create positive social and/or environmental impacts. The B Corp certification provided a formal validation of the B Corps' business philosophy and approach, and the ability to connect with like-minded businesses. The potential for inter-B Corp business development was attractive to B Corps, acknowledging the high level of trust generated by the shared values of the B Corp network. While the B Corp *label* was a strong driver, it is early days and major tangible benefits are yet to be realised.

The B Corps identified few barriers for implementing the B Corp model in Australia, but larger B Corps hinted at challenges with changing the culture of the organisation to align all employees with the B Corp values. However, without government support for the B Corp model (through legislative changes or mechanisms such as tax incentives), it will be difficult for the B Corp model to become mainstream. Mainstreaming will require increasing advocacy, awareness-building and education, and lobbying powerful stakeholders, such as government, directly and/or through coalitions such as industry bodies, to motivate larger, well-known and publicly listed companies to adopt the B Corp model.

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Teaching & Learning

THE ENVIRONMENT AND TEXTBOOKS: ARE THEY ENABLING SUSTAINABLE OUTCOMES?

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Abstract: A central claim within the sustainable development literature is that realizing sustainable outcomes requires a move away from a conceptualization of the environment as a separate, bounded, independently given entity. In this paper, the conceptualization of the environment within bestselling strategy textbooks in the UK and Australia in 2011 is reviewed. A focus on strategy textbooks is taken as it is argued that corporate strategists are key actors in the realization of sustainable outcomes. Thus the constructs those individuals may learn from texts are potentially key to their ability to realize sustainable outcomes. The findings show that the constructs in the textbooks offer a sclerotic, dehumanized view of the environment that is partitioned into external and internal categories by an organizational boundary. Thus if strategy textbooks are tools to help corporate strategists learn strategy, who will then enable sustainable development, changes are required.

Keywords: strategy textbooks; sustainable development; monistic versus dualistic

> *"It is quite simple wrong to regard action on the psyche, the socius, and the environment as separate…[to present these areas as if they are separate is]…acquiescing to a general infantilisation of opinion" (Guattari, 1989: 134).*

INTRODUCTION

All narratives are an outcome of an inevitable refraction by their author(s) and knowingly or unknowingly, all have had in the process of their writing a "rhetorical razor … [applied] that defines included and excluded, relevant and irrelevant, empowered and disempowered" (Cronon, 1992: 1349). Indeed this article, suffers the same fate. Textbooks are not necessarily conceived as suffering with refraction or rhetorical razors. For example, the metaphor of 'textbook operation' implies operating to a set of agreed upon and regulated procedures (Crawford, 2003), procedures that imply operations are conducted in a bubble of ahistorical, decontextualized truth (Cummings & Bridgman, 2011). Consequently, as Apple and Christian-Smith (1991) argue textbooks are commonly conceived as a "delivery system of facts" (p. 1). Wherein they are infused with a "foundational epistemological assumption-that they have a status, a bona fide status with a potential for universal application" (Issitt, 2004: 685). This aspect of textbooks necessarily drags with it criticisms of them being ideological devices that capture claims to truth and through their application in education help to legitimize a particular social order, while normalizing students into that same order (e.g., Bouvier, 1984; Cameron et al., 2003; Crawford, 2003; Gilbert, 2003; Issitt, 2004; Mir, 2003; Pingel, 1999). Not least because textbooks are socially constructed devices that suffer the consequences of not only an author's refraction and rhetorical razor but also the compromises that arise from negotiations with

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numerous actors for example, publishers, editors and focus groups, in order to realize a finished, published product (e.g., Cameron et al., 2003; Ferguson et al., 2006; Mir, 2003).

Notwithstanding that textbooks may not be read at all by students (Apple & Christian-Smith, 1991; Cameron et al., 2003), ripostes to the criticisms of textbooks as normalization devices are that any text can have multiple readings (Crawford, 2003) and that the text may not necessarily reflect what is taught in a classroom (Apple & Christian-Smith, 1991; Cameron et al. 2003; Enz, 1986; Hackley, 2003). For example a reader of a textbook may not end up being paradigmatically colonized by the text and an instructor may use a textbook purely as a foil from which to develop deconstructive and critical arguments regarding the 'facts' within. Nevertheless the central challenge that textbooks are ideological devices that can normalize students into a particular social order, and in so doing a particular pattern of conceptualization remains (e.g., Ross & Murdick, 1977; Cummings & Bridgman, 2011; Bouvier, 1984; Enz, 1986; Mir, 2003).

This paper reviews some of the content of the best selling strategy textbooks in the United Kingdom and Australia. At the time of conducting the study attempts were made to obtain a list of the best selling strategy books in the United States of America, however that data proved unobtainable. The review of the textbooks is focused on how the environment is conceptualized, albeit the data presented is not limited to this alone. This study of how bestselling strategy textbooks conceptualize the environment was conducted because of arguments within the sustainable development literature. To précis those arguments, the sustainable development literature argues for a move away from a fractured epistemology that separates out the environment as being a separate entity to humans and in turn organizations (e.g., Egri & Pinfield, 1999; Gladwin et al., 1995; Shrivastava, 1995). In so doing it argues for a move away from a Cartesian dualism, to the embrace of systemic, non-bounded understandings of humanity's relationship with all that surrounds us. Thus the sustainable development literature is arguing that humanity's conception of the environment should not be that the environment is a separate, bracketed out thing. The relevance of this to strategy textbooks is that the United Nations, notwithstanding others, argues that key protagonists in the realization of sustainable outcomes are organizations and in turn "corporate strategists" (UNSGHLPS, 2012: 22). Consequently, if corporate strategists are key actors in the realization of sustainable outcomes it is appropriate to question how the environment is conceptualized within the textbooks those strategists may use.

The paper proceeds in the following manner. First a discussion of sustainable development, its identification of organizations and corporate strategists as key actors and its challenge to separable, bounded understandings of the environment is brought forward. The study's design, methodology and mode of data collection are then discussed. Following this the findings are presented. To close, the implications of the findings are discussed.

To end this introduction, it should be noted, as was alluded to earlier, this paper is caught within its own web; it is a refraction, and it has had a rhetorical razor applied. Thus it should be recognized that the power of this paper might not be what it proves, but rather what it suggests (Fiol, 1989).

SUSTAINABLE DEVELOPMENT KEY ACTORS AND CONCEPTIONS OF THE ENVIRONMENT

The challenge of environmental and social degradation initiated a call for sustainable development. The roots of the contemporary call for sustainable development can be found, arguably, within the publication of Silent Spring (Carson, 1962) and the environmental movement of the 1960s, with sustainable development entering the mainstream consciousness via *Our Common Future* (WCED, 1987), the 1987 United Nations publication (Shrivastava & Hart, 1994; Steer & Wade-Gery, 1993; Yates, 2012) that defined sustainable development as "development which meets the needs of the present without compromising the ability of future generations to meet their own needs" (WCED, 1987: 8). Although this definition can suffer critiques (e.g., Banerjee, 2003), it is generally accepted that sustainable development is an idea increasingly important for organizations and business leaders to embrace (e.g., Blewitt, 2008; Brych et al., 2007; Gladwin et al., 1995). Especially as we "live in an organizational world in which organizations are the means through which interests are realized" (Egri & Pinfield, 1999: 225), and as such enabling sustainable outcomes requires "organizations in general and business in particular" (Gray et al., 1993: 9).

If organisations are central actors, then organisational leaders and corporate strategists are also key, especially as these individuals are critical in marshaling the resources of and setting the direction of organisations. In the United Nations 2012 update to *Our Common Future* (1987), *Resilient People, Resilient Planet* (2012), "corporate strategists" (UNSGHLPS, 2012: 22) are identified as key actors who "have more opportunity than ever to pick and choose from the best practices and resources … combine them in new and previously unforeseen ways … [and thus help] to drive sustainable development" (UNSGHLPS, 2012: 22). While corporate strategists are key actors in the realization of sustainable outcomes through their influence upon the strategy of organizations, key to the enablement of sustainable outcomes is their cognition, especially if it is accepted that individuals act upon the basis of their cognitive representations of the world around them, their environment (e.g., March & Simon, 1958; Simon, 1947; Lakoff, 2010).

With regard to our conceptualization of the environment, most simply and directly *Our Common Future* (also referred to as the Brundtland Report) argues, "[T]he environment does not exist as a sphere separate from human actions, ambitions, and needs, and attempts to defend it in isolation from human concerns have given the very word environment a connotation of naivety" (WCED, 1987: xi). This statement directly implicates a move away from a conception of the environment as being something that is a thing that is bounded, separate and external to humanity. It implies a movement towards a monistic and away from a dualistic understanding of humanity's relationship with the planet.

To build the case *Our Common Future* (1987) argues that humans have historically understood the planet as "a large world in which human activities and their effects were neatly compartmentalized within nations, within sectors (energy, agriculture, trade) and within broad areas of concern (environmental, economic, social)" (WCED 1987: 4). This historical understanding conceptualizes the world as consisting of separate domains for example, environment, society and economy. However, the challenge of this type of conceptualization is that ultimately it relies upon and reinforces a false dichotomy that there are two separate categories on the world: humans and everything else (nature). (For further explanation see Castree, 2002; Latour, 1999a, 1999b; Newton,

2002.) This is counter to the "real world of interlocked economic and ecological systems … [that] will not change" (WCED, 1987: 9). Thus if the 'real' world will not change, the challenge is whether humanity's understandings and our "policies and institutions" (WCED, 1987: 9) can, lest sustainable outcomes are forfeited.

As such the call for sustainable development is also a call for a change in humanity's understandings. Whereby to realize sustainable development humans need to embrace an understanding that the environment is not separate and out there, but rather it surrounds and is entwined with them (Ingold, 2011). Consequently, sustainable development is not about saving "the environment," because to do so implies that the environment is a separate thing. Rather, sustainable development is about humans (present and future) developing and facilitating their development through a change in humanity's understanding of itself relative to everything else. A change that moves away from dualistic to a monistic (i.e., singular, not split), non-compartmentalized (non-bounded) understanding. In this regard it could be argued we need to recognize the "mutual embedding of humans and the rest of nature" (Starik & Kanashiro, 2013: 8). And while this mutual embedding may be "so obvious that many of us take this special connection for granted" (Starik & Kanashiro, 2013: 8) the challenge is that "all human organizations are embedded within the natural environment, and that all of those which have human managers and other employees, also contain the natural environment inside of their respective biophysical bodies" (Starik & Kanashiro, 2013: 9), and thus there is no separation.

The logic within the argument is that there is a misalignment between humanity's ontology (reality) and epistemology (knowledge practices) that needs rectification. In short, we are suffering with a "profound epistemological crisis" (Gladwin et al., 1995: 874), wherein we need to move to a knowledge base that implies a connectionist ontology as opposed to an atomistic ontology (Boisot & McKelvey, 2010). In turn this requires changes to theories and frameworks so that they do not assume and or perpetuate the notion that there is a "phenomenal world [that can be] directly and unproblematically observed and described by a disinterested actor who remains external to what is being observed" (Boisot & McKelvey, 2010: 415).

In particular given that organizations and corporate strategists are key actors in the realization of sustainable development, this ontological-epistemological misalignment is a challenge to organizational theory. Theories of organization typically put the organization as the central concern and perpetuate notions of their being a separate environment that is to be analyzed and exploited (e.g., Egri & Pinfield, 1999; Shrivastava, 1995). While theories that separate may enable particular forms of analysis, they ultimately so not enable sustainable outcomes, as the separation is a naive understanding (WCED, 1987) that fails to recognize systemic interconnections. Thus, in order to realize sustainable outcomes, organizational theories need reorientation towards organizations not being considered as separate from their surroundings (e.g., Egri & Pinfield, 1999; Katz & Gartner, 1988; McAuley et al., 2007; Sarasvasthy, 2001, 2004).

Taken together, the logic of this paper is that organizations, and in turn corporate strategists, are key actors in the enabling of sustainable development, which will require a change in humanity's understandings such that humans do not see themselves as separate from all that surrounds them; i.e., separate from nature or the environment. Theories guide action, but theories that imply and perpetuate a world of separations will not guide *sustainable* action. Consequently, since organizational

strategists learn the fundamentals of strategy in university strategy courses, many of which have associated textbooks, the definitions of the environment provided by those textbooks needs to embrace a monistic view. As the perpetuation of a dualistic understanding implies that the future organizational strategist may have a conceptualization that reinforces a separation between the organization and the environment and that thus hinders the individual's ability to enable organizations to realize sustainable outcomes.

RESEARCH DESIGN, METHODOLOGY AND DATA COLLECTION

The aim of this research was to investigate the conceptualization of the environment in strategy textbooks. A simple search on the Amazon bookselling website confirms that there is a plethora of strategy textbooks on the market; identifying bestsellers was necessary to develop a manageable list. In order to obtain lists of best-selling textbooks, some of well-known publishers of academic textbooks (e.g., Wiley, Pearson, McGraw Hill and Cengage) were contacted in November 2011 for advice and current bestseller rankings for sales of strategy/strategic management textbooks in the territories of the UK, Australia and the United States of America.

In addition to the publishing houses, and as a way of triangulating the data obtained, Neilsen BookScan, the international book sales data monitoring company, was contacted for sales data on strategy textbooks within the aforementioned territories. As an additional way of triangulating the data, the University Co-operative Bookshop chain of Australia – the largest seller of textbooks and has a presence on virtually every Australian campus – was contacted for strategic management textbook sales in the year to October 2011 (the most recent 12 month period they could provide at the time of the request).

A variety of lists was obtained: a list of the twenty bestselling strategy textbooks in Australia in 2011, a separate list for the twenty bestselling strategy textbooks in the UK, a list of sales for strategy/strategic management textbooks for the year to October 2011 from the University Co-Operative Bookshop in Australia, and two lists from publishers on their bestsellers. Collating these various lists resulted in a list of 46 strategic management textbooks. To create a shorter list of the bestselling textbooks in Australia and the United Kingdom the following decision rules were applied: A textbook would be included in the final shortlist if (1) it was ranked in the top ten of either an Australian or UK ranking according to a sales data monitoring organization, (2) it was in the top 20 of an Australian and UK ranking according to a sales data monitoring organization, (3) it was in the top ten of sales according to the University Co-Operative Bookshop of Australia, (4) it was included in the top ten of other lists that were provided on bestselling or course adopted textbooks by publishers. These decision rules resulted in a shorter list of 23 textbooks.

RESULTS

The author of this study reviewed each of the 23 textbooks shown in Table 1, identified the ways in which each defined or discussed internal and/or external environments, and identified the ways in which each addressed sustainability or sustainable development. The resulting table of analytical results has been excluded from this publication for the sake of brevity, but it is available from the author.

The conceptualization of the environment within the textbooks reveals a number of consistent messages. First there is lack of definitional exactitude regarding what the environment is, and/or there are multiple categories of environment discussed. Second the environment is consistently discussed as being a repository of opportunities and threats that an organization needs to analyze, exploit and avoid. Third an organization has an external and internal environment. Taking each point in turn, to illustrate the lack of definitional exactitude and multiplicity of categories, Carpenter and Sanders (2009) highlight that the "external environment consists of a wide array of economic and socio-political factors" (Carpenter & Sanders, 2009: 106). Similarly Hanson et al (2011) outline that a "firm's external environment is divided into three main areas: the general, industry and competitor environment" (Hanson et al., 2011: 36); wherein the general environment is "composed of dimensions in broader society that influence an industry and indirectly, the firms within it" (Hanson et al., 2011: 37). Likewise, Capon (2008) describes the external environment as "literally the big wide world in which organizations operate" (Capon, 2008: 31); while Hubbard and Beamish (2011) outline that "the environment represents all those aspects outside the organization that affect the business strategy of an organization" (Hubbard & Beamish, 2011: 21). In the same way, Thompson and Martin (2010) define the environment as "everything and everyone outside the organization or organizational boundary-including competitors, customers, financiers, suppliers and government" (Thompson & Martin, 2010: 787), and Wheelan and Hunger (2010) state, "[T]he external environment consists of variables (opportunities and threats) that are outside the organization" (Wheelan & Hunger, 2010: 16). Thus the environment is a wide array of factors, general dimensions in society, variables, and categories. Reinforcing this lack of definitional exactitude, the environment is not only a general thing it is also described more specifically as "much more than the ecological green issues that word commonly evokes" (Capon, 2008: 31) and/or an element that has "long been a factor in firm strategy, primarily from the standpoint of access to raw materials" (Carpenter & Sanders, 2009: 111).

With regard to the environment being a repository of opportunities and threats, the texts are consistent. The "external environment is where the opportunities and threats arise from to confront the organization" (Capon, 2008: 6). In addition "the environment is what gives organizations their means of survival. It creates opportunities and presents threats" (Johnson et al., 2011: 49). Further by analyzing the external environment "a firm identifies the critical threats and opportunities in its competitive environment" (Barney & Hesterly, 2010: 8), especially as these threats and opportunities "could significantly benefit or harm an organization in the future" (David, 2011: 43). Crucially "identifying opportunities and threats is an important objective of studying the general environment" (Hitt et al., 2011: 39) if not the sole objective. For example, Grant (2010) highlights, "[T]he emphasis of the book has been the identification of profit opportunities in the external environment of the firm" (Grant 2010: 122). Given the texts are consistent in their view that "successful managers must recognize opportunities and threats" (Dess et al., 2010: 40) a focus on the environment being a repository of opportunities and threats is self-reinforcing. Especially because opportunities and threats affect how a firm "pursues its mission" (Hill & Jones, 2010: 17) and "provide a foundation for strategic direction" (Harrison & John, 2010: 4).

The third key construct offered by the majority of the textbooks (18 out of 23) is the concept that an organization has an internal and external environment. This construct is shown through the quotes above that alight upon the term external environment. In addition the notion of external and internal environments is reinforced through the position that key to strategic management is

"environmental scanning (both external and internal)" (Wheelan & Hunger, 2010: 5) to, as indicated above, uncover opportunities and threats. Further the external environment constitutes "the forces that act outside of an organization" (Viljoen & Dann, 2003: 451), and managers need to consider an organization's position "in the external environment" (Capon, 2008: 28) that is "surrounding" it (De Wit & Meyer, 2010a: 110).

Table 1. Strategy Textbooks Reviewed in this Study

Angwin, D., Cummings, S., & Smith, C. (2008). *The Strategy Pathfinder: Core Concepts and Micro-Cases.* Oxford: Blackwell Publishing.
Barney, J. B., & Hesterly, W. S. (2010). *Strategic Management and Competitive Advantage: Concepts and Cases* (3rd ed.). New Jersey, USA: Prentice Hall.
Besanko, D., Dranove, D., Shanley, M., Schaefer, S. (2010). *Economics of Strategy* (5th ed.). New York: John Wiley & Sons.
Capon, C. (2008). *Understanding Strategic Management.* Harlow: Pearson Education.
Carpenter, M. A., Sanders, W. G. (2009). *Strategic Management: A Dynamic Perspective Concepts and Cases* (2nd ed.). New Jersey, USA: Pearson, Prentice Hall.
David, F. R. (2011). *Strategic Management: Concepts* (13th ed.). New Jersey, USA: Pearson Education.
De Wit, B., & Meyer, R. (2010a). *Strategy Process, Content, Context: An International Perspective* (4th ed.). Mason USA: South Western Cengage Learning.
De Wit, B., & Meyer, R. (2010b). *Strategy Synthesis: Resolving Strategy Paradoxes to Create Competitive Advantage* (3rd ed.). Andover, UK: Cengage Learning.
Dess, G. G., Lumpkin, G. T., Eisner, A. B., & McNamara, G. (2010). *Strategic Management Texts and Cases* (5th ed.). New York, USA: McGraw-Hill Irwin.
Grant, R. M. (2010). *Contemporary Strategy Analysis* (7th ed.). West Sussex: Wiley & Sons.
Hanson, D., Hitt, M. A., Ireland, R. D., & Hoskisson, R. E. (2011). *Strategic Management: Competitiveness and Globalisation (*Asia-Pacific 4th ed.). Melbourne: Cengage Learning Australia.
Harrison, J. S., & St. John, C. H. (2010). *Foundations in Strategic Management (*5th ed.). Mason USA: South Western Cengage Learning.
Hill, C. W. L., & Jones, G. R. (2010). *Strategic Management: An Integrated Approach* (9th ed.). Mason, USA: South Western Cengage Learning.
Hill, C. W. L., & Jones, G. R. (2012). *Essentials of Strategic Management* (3rd ed.). Mason USA: Southwestern Cengage Learning.
Hitt, M. A., Ireland, D. R., & Hoskisson, R. E. (2011). *Strategic Management: Competitiveness and Globalization: Concepts and Cases* (9th ed.). Mason USA: South Western Cengage Learning.
Hubbard, G., & Beamish, P. (2011). *Strategic Management: Thinking, Analysis, Action* (4th ed.). Frenchs Forest NSW: Pearson Australia.
Johnson, G., Whittington, R., & Scholes, K. (2011). *Exploring Strategy,* (9th ed.). Harlow, Essex: Pearson Education.
Saloner, G., Shepard, A., & Podolny, J. (2001). *Strategic Management.* New York USA: J Wiley & Sons.
Thompson, A. A., Peteraf, M. A., Gamble, J. E., & Strickland, A. J. (2012). *Creating & Executing Strategy: The Quest for Competitive Advantage, Concepts & Cases* (18th ed.). New York: Mc-Graw Hill/Irwin.
Thompson, J., & Martin, F. (2010). *Strategic Management, Awareness and Change* (6th ed.). Hampshire, UK: South Western Cengage Learning.
Viljoen, J., & Dann,S. (2003). *Strategic Management (*4th ed.). Frenchs Forest, NSW: Prentice Hall, Pearson Education Australia.
Wheelan, T. L., & Hunger, D. J. (2010). *Strategic Management and Business Policy: Achieving Sustainability* (12th Ed.). New Jersey, USA: Prentice Hall.
Witcher, B. J., & Chau, S. (2010). *Strategic Management: Principles and Practice* (1st ed.). Mason USA: South Western Cengage Learning.

This splitting of the environment into external and internal is as De Wit and Meyer (2010a) highlight the "first dichotomy" (p. 11) managers' face. The "external environment influences firms as they seek strategic competitiveness" (Hitt et al., 2011: 36), however it is largely "beyond the direct control of a single organization" (David, 2011: 43). In contrast, the "internal environment [which] is subject

to far more control" (Witcher & Chau, 2010: 122) and is the source of "organizational strengths and weaknesses" (Barney & Hesterly, 2010: 8). Thus whereas the goal of external analysis is to "understand opportunities and threats" (Hill & Jones, 2010: 39), internal analysis "focuses on resources and capabilities as internal sources of uniqueness that allow firms to beat the competition" (Carpenter & Sanders, 2009: 23).

Finally, as an addendum, given the sustainable development context of this article it is worthwhile briefly considering the definitions of sustainable development offered by the texts. Only one textbook actually offers the Brundtland definition, while 15 texts do not define the term at all, and the remaining seven texts develop their own terms. Where texts have developed their own construct, invariably that construct is narrow in its focus and concerned with the so-called 'natural environment' and an organization's ability to "protect, mend and preserve" (David, 2011: 343) this environment. Further "a number of companies are developing environmentally friendly policies" (Hitt et al., 2011: 49) because of an increasing concern about the natural environment, albeit the natural environment, where it is and what it is, is not defined. Alternatively sustainability is "concerned with the relationship of a company to its environment and its use of natural resources, including land, water, air, plants, animals, minerals, fossil fuels and biodiversity" (Thompson et al., 2012: 316). Furthermore rather than sustainability's being concerned with the needs of generations present and future, the focus of sustainable development is "stakeholders" (Hubbard & Beamish, 2011: 12), a more limited constituency, and their needs in the future.

DISCUSSION

Strategy textbooks have been described as suffering from a degree of isomorphism and being akin to recipe books (e.g., Spender, 1989; Whittington, 1993) that belie a promise that, through adherence to the recipe, the delights of a successful strategy will be realized (Spender, 1989; Whittington, 1993). The results of this analysis also reveal a degree of isomorphism particularly in how the environment is conceptualized.

As shown the environment is conceptualized with a lack of definitional exactitude; it consists of multiple categories and hinges on there being internal and external master sets. The external environment is separate and beyond direct control. It is also constricted to being a repository of opportunities and threats that need to be exploited or avoided, rather than, and to lean on simplistic examples, its being "where we all live" (WCED, 1987: xi) and something which is entwined with us (Ingold, 2011). Similarly, the internal environment is not somewhere individuals spend significant amounts of their life; rather it is a source of organizational strengths and weaknesses that need to be matched to the external opportunities and threats.

As Grant (2010) highlights, the emphasis of these books is not necessarily the realization of sustainable outcomes but rather the "identification of profit opportunities in the external environment of the firm" (Grant, 2010: 122). The texts present a relatively thin construct of the environment as being a dehumanized place that is a separable collection of categories in four domains: external threats, external opportunities, internal weaknesses, and internal strengths. Such a characterization undoubtedly constrains the ability of the strategist to move beyond this simple, dehumanized perception (Clegg et al., 2004).

A constricted, separable construct of the environment is consistent with the requirement to allow analysis that enables the narrow aims of the texts. However the separating out of the environment into external and internal components partitioned by an organizational boundary releases a challenge that the constructs used and the analysis facilitated through those same constructs is what in turn "objectifies the environment to which…[individuals] then turn and respond" (Hatch, 2011: 55). Further that the notion of an organizational boundary is a central to the constructs of the environment developed in the textbooks, any move away from such a construct would be significant and difficult. This is because it has been argued that since Coase's (1937) article on the nature of firm organizational boundaries are the central concern of organizational theory and analysis (e.g., Dolfsma & Dannreuther, 2003; Hernes, 2004). As such the idea of a boundary has served organizational analysis for decades, particularly as boundaries and their reproduction, it is argued, enable organisations to persist (e.g., Hernes, 2004). Consequently, while the boundary reinforces objectification and a dualism that limits the enabling of sustainable development, the deconstruction of such a dualism is a difficult challenge for textbooks that necessarily require an audience and because of such a requirement are potentially limited in their ability to challenge dominant thinking.

The constructs in the textbooks analyzed reinforce a fractured epistemology (Gladwin et al., 1995) that separates the organization from everything else, an aspect that in turn hinders the potential ability of corporate strategists who may use or have used such texts to realize sustainable outcomes. The relatively sclerotic construct of the environment offered by the textbooks is one where the environment is viewed as "something outside and completely unrelated to the observer, except in a very narrow utilitarian sense" (Purser et al., 1995: 1064). It is arguably an example of how our knowledge systems leave behind our reality, a reality of systemic interconnections in a borderless world (Shrivastava, 1995; King, 1995; Gladwin, 1995). A world that is an "intrinsically dynamic, interconnected web of relations in which there are no absolutely discrete entities and no absolute dividing lines" (Eckersley, 2003: 49). While the language in the textbooks could be dismissed as just language games; such a dismissal would compromise their value and in turn not acknowledge that language is "both descriptive and constitutive of reality" (Tsoukas, 1991: 568). Wherein language is a "cognitive technology that directly shapes our relations with the world, guiding how we think and act" (Morgan, 2012: 12; in support also see Cornelissen, 2002, 2004, 2005; Lakoff & Johnson, 1980; Lakoff & Turner, 1987; Tsoukas, 1991, 1993). Thus language guides our cognitive representations and, in turn, our actions through enactment theory (e.g., Hatch, 2011; Smircich & Stubbart, 1985).

Notwithstanding the challenge of language, the relatively sclerotic view offered might be necessary given our continual desire for order out of chaos. To explain, "given bounded rationality and environmental complexity, sense making tends to crystallize into cognitive frames that reduce ambiguity and facilitate decision making" (Santos & Eisenhardt, 2005: 500). Thus it has been argued that humans "tend toward static, isolated, one factor at a time analysis rather than dynamic whole systems appraisal" (Gladwin et al., 1997: 241). Consequently a narrow, compartmentalized understanding of the environment, as offered by textbooks, is perhaps a necessary requirement in order to facilitate our own sensemaking. Particularly as "purposeful classifications of objects, people and events are … [it can be argued] an indispensable requirement for thinking about competition or strategy" (Bourgeois, 1980: 333).

Order seeking and bounded rationality aside, it can also be argued that the limitations of the English language do not enable a move past dualistic implications. To explain, language allows us to detach

ourselves and create symbolic distance (e.g., Deleuze & Guattari, 2007; Newton, 2007). Further the subject-verb structure of the English language can reinforce separation and reification. For example, Ingold (2011) outlines how an individual might typically say "the wind blows" (Ingold, 2011: 17). The structure of the phrase reinforcing notions of there being a wind (subject) that is separate to the action of blowing. As if the blowing is a separate act upon the body that is the wind. Thus language structure and its semiotic underpinnings are implying compartmentalization and separation. In this way language perpetuates a kind of fracture between subject and action (wind and blowing). To counter the fracturing, Ingold (2011) argues, perhaps self-evidently, that the "wind is its blowing" (Ingold, 2011: 17). The wind is the result of the blowing, and thus there is no separation between subject and action. Indeed, the wind would not exist without the blowing. The wind is therefore the process, or the action. Similarly an organization and its environment are co-constitutive of each other, not independently given entities. However co-constitution may not be an actionable construct given the bounded rationality of humans.

Nearly 30 years ago Smircich and Stubbart (1985) commented, "[A]ccording to most strategic management literature, an organization … exists within an independently given environment" (Smircich & Stubbart, 1985: 724). This research indicates that little seems to have moved on since then. Perhaps the lack of movement is because of cognitive limitations as opposed to, for example, ideological hegemony. However the fact that the textbooks analyzed fail to, in the main, even acknowledge sustainability or sustainable development in their indexes perhaps belies the filtering of sustainability into the consciousness of organizational theorists and thus arguments of ideological hegemony cannot stand.

Although Smircich and Stubbart's (1985) comments of nearly 30 years ago outlined how organizations operate *in* the world, not *on* it, it can be argued that there is nothing particularly novel or new about highlighting the limitations of the environmental construct offered in the bestselling strategic management textbooks of 26 years later. However since the 1985 publication of Smircich and Stubbart's article, sustainable development has become popularized, and the challenge of conventional organizational theories and their perpetuation of a dualism that does not enable sustainable outcomes has been discussed. Yet given all this discussion, textbooks do not seem to have moved forward in their constructs to enable corporate strategists, key actors, to realize sustainable outcomes. Further we are still in the foothills of a sustainability management theory, and the reflection of the near obvious regarding our mutual embedding and inseparability from all that surrounds us (Starik & Kanahsiro, 2013).

> *"The modern mind is still haunted by the belief that the only meaningful concepts are those capable of mathematical elucidation…This rationalism supports the doctrine that facts are separate from values…and that truth is a function of objective reality" (Gladwin et al., 1997: 248)*

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Teaching & Learning

CONFERENCE THEME: "Reclaiming the Societal Dimension"

THE ROLE OF BUSINESS EDUCATION IN BUILDING BUSINESS LEADERSHIP FOR 21ST CENTURY RESPONSIVENESS AND ENVIRONMENTAL STEWARDSHIP: SHOULD BUSINESS EDUCATION BE RE-DEVELOPED?

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Acknowledgements: We gratefully acknowledge the financial support of the University of Notre Dame Australia to participate in the IABS conference.

Abstract: 21st century business graduates need to be well equipped with skillsets that enable them to apply their commercial knowledge in organisations where profit maximisation is not the sole purpose. However, business students continue to be taught classic commercial business principles that predominately value profit and performance, resulting in a significant skill shortage for businesses embracing ethical responsibility, social justice and environment issues. The aim of this project is to blueprint a cutting-edge commerce degree that fills this skill shortage by developing an Integrated Business Education Model with extensive literature review and consultation with a wide range of stakeholders. Using the Integrated Business Education Model a traditional commerce degree curriculum will be re-designed and piloted in a business school. Findings and implementation materials will be disseminated to all Australian business schools. Eventually, graduates of this contemporary commerce degree will be skilled to contribute and grow in any form of hybrid organisation.

Keywords: Business education; ethical orientation; corporate social responsibility; hybrid organisations; not-for-profit

INTRODUCTION

Corporate social responsibility (CSR) has become an established concept in the business lexicon (Lee, 2008) as the basis for visible corporate response to emergent issues of environmental degradation, growing demands for corporate citizenship and sustainable competitive advantage in an increasingly resource pressured world. Settling at the nexus between strategy, structure and communication, CSR has remained the guiding framework for ethical business conduct. Equally, the accumulation of interest in leadership as the basis for organisational change reflects a deeper concern with how businesses can transform and learn in order to deal with a rapidly changing world.

In this paper, we focus on the connection between business leadership and social responsibility, arguing that in order to achieve a genuinely responsive social responsibility platform, businesses

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require a new form of leadership vision grounded in a commitment to social, environmental and economic contribution. Profit maximisation and growth necessarily follow as outcomes rather than as objectives in their own right. This kind of leadership is essentially driven by seemingly contradictory competencies, (such as profitability and altruism, clear vision and comfort with ambiguity, social and corporate mission), and will unfold across different contexts such as corporate, not-for-profit and hybrid organisations. Therefore, we ask the question of what kind of business leader can achieve the kind of corporate social responsibility platform required for the unique challenges faced in the twenty-first century across different business contexts – an era that faces unprecedented environmental, resource and social risks? In asking this question, we propose the argument that, rather than looking to leadership as emerging from the top of organisations, we should instead focus on the grassroots values, competencies and skills instilled at every tier of the organisation through a transformation of business education itself. If we consider that business leaders over the coming years will largely come from business degree programmes, we suggest that business education itself should be the site at which a new kind of ethical business leader can be made. This consideration is also significant in that it connects to the larger picture of student expectations of their university education experience as a whole where the role of business education come under question as part of a larger re- positioning of education in the twenty-first century (Astin & Antonio, 2012).

In looking at what kind of business leadership is required for the twenty-first century and identifying business education as the grassroots base upon which leaders build their career, this begs the further question of how can business educators develop the requisite skills among business graduates? In response to this question, the present paper opens discussion on the development of an integrated business education model that hybridises commercial and not-for-profit business principles (Boyd et al, 2009; Haigh & Hoffman, 2012) and situates ethical leadership, social mission and industry responsiveness at its core. The model addresses changing industry and student needs by activating a hybrid approach from commercial and NFP principles to develop both technical and social mission competencies among graduates. This approach enables graduates to utilise diverse skill sets relevant to multiple sectors including commercial, NFP and entrepreneurial organisational contexts.

LITERATURE REVIEW

The recognition that business leaders have a fundamental role to play in shaping the values, practices and economic survival of their community is reflected in research focused on leadership competency in business education (Bailey & van Acker, 2013; Hancock et al, 2009). However, a scan of commerce degree content across Australia shows that the "commercial model", or an emphasis on profitability and competitive advantage, remains the dominant thrust of business education – that is to say that business students predominantly continue to be taught via classic commercial business principles to value profit and performance, both of which re underpinned by the enduring logic of infinite growth. However, in an era of increasing resource scarcity, environmental decay and demand for corporate citizenship, the sustainability of the positive growth model underpinning the commercial sector has come under question (Gilding, 2011; Ewing, 2010; Hopkins, 2003; Kurtz, 2005). While sustainability and corporate social responsibility (Aguinis & Glavas, 2012; Lindgreen & Swaen, 2010; McWilliams et al., 2006) highlight the need for performance beyond profit to business education, these initiatives have not challenged profitability

as the core of business practice. In acknowledging the growing call for a more socially/environmentally responsible approach to business, this project situates ethical business practice at the core of business education.

By contrast, the not-for-profit sector has been regarded as distinct from the commercial world both in outlook and intent. Equally, not-for-profit principles have not been a dominant feature of undergraduate business education in Australia. The 2010 Australian Productivity Commission Report suggests that three elements characterise not-for-profit (NFP) in Australia:

> *1. the behaviour of NFPs is driven mostly by their mission or community purpose. 2. Demonstrated commitment to their community-purpose underpins support for their activities 3. Processes, often highly participatory, matter for NFPs because they provide value to the volunteers and members, and because of their central importance to maintaining trusting relationships that form the basis for effective service delivery (pg.13).*

However, as more NFP enterprises enter the market and the evolution of social enterprise (Thompson, 2008; Diochon, 2009; Madill, Brouard, & Hebb, 2010) poses a competitive threat to existing NFP organisations, the need for a stronger commercial orientation within the NFP sector has been identified (Weisbrod, 1998). The needs of these two traditionally disparate sectors prompts the questions of what skills and competencies are needed in across diverse business environments and how do we capture their different contributions to business practice in business education since the fundamental objectives of the NFP sector have much to teach commercial business and vice versa.

The purpose of this project is to develop an integrated business education model that apprehends the demands of the contemporary environment. Building on previous curriculum development work that draws from leadership perspectives (Cohen, 2010; Hancock et al, 2009), the project will hybridise and integrate the approaches taken by commercial/NFP sectors into a business education model. Following Haigh and Hoffman (2012), the integrated business education model developed here captures the essential character of hybrid as "blurring this boundary [between NFP/commercial models] by adopting social and environmental missions, but generating income to accomplish their missions like for-profit [entities]" (pg. 126). This hybrid concept gives rise to a fundamentally different business model that, in turn, has impact on how business education can be undertaken. Drawing from Barnett and Coate's (2005) emphasis on knowing, acting and being, the model will take a holistic view of business education's social value and better align technical and ethical competencies among Australian business school graduates.

METHOD

The present paper adopts a qualitative approach, using focus group and individual interview data from business school, commercial and NFP sector leaders. Data is also sought from recent business school graduates who work in NFP environments to ascertain the degree to which they consider their commerce degree training developed skills for the NFP sector. The feedback gained from this data identified key competencies, core values and necessary inclusions to which the business education model must respond. The first reference point for this data collection phase will be with industry partners where:

- Focus groups will be undertaken with commercial and NFP leaders. The industry partner organisations will assist in accessing relevant stakeholders/participants. Participants will come from a range of industry sectors and will concentrate on those in senior leadership roles. Participants will be drawn from medium-large organisations in Australian major cities.
- Individual in-depth interviews will be undertaken with commercial and NFP leaders.
- Depth interviews with Business School Deans at least two business schools.
- A survey of recent business school graduates working in NFP or hybrid organisations.
- The collection of the data informs the development of the integrated business education model and the commencement of the curriculum re-design of the Bachelor of Commerce majors of accounting, management and marketing.

PROPOSED FINDINGS

The outcomes of this research and discussion paper are firstly to achieve the development of an integrated business education model supported by evidence for its implementation viability in a curriculum re-design of the Bachelor of Commerce. As the needs of business evolve and a greater emphasis is placed on social, environmental and competitive stewardship among business leaders, this forces the need for a re-evaluation of how business curriculum can work to produce sufficiently responsive practitioners. The development of an integrated business education model represents an important step towards capturing the necessary skillset required by practitioners and enabling the flow-through to curriculum.

Secondly, building on previous work by Freeman et al (2008), a piloted curriculum that balances generic and discipline-specific skills, captures an international outlook and teaches the competencies required by industry as per the feedback from industry participants enables the development of the model (and its subsequent curriculum) to be informed by practical industry needs across sectors such as commercial and not for profit settings. This modeling based on industry feedback brings together academic and practitioner objectives and works to bridge the theory-practice nexus.

Thirdly, the publication of model and supporting online courseware materials for uptake in other institutions as the basis for establishing an ongoing collaboration among institutions. In an era of increased sharing of coursewares among academic institutions, the uptake of MOOCs (or massive online open courses) and a more inclusive approach to education, it is important that access to models as such one proposed here to made available for adaption and use across institutions and industry trainers. It is intended that this new curriculum trigger ongoing development of more diversified, "challenge-ready" curriculum in Australian Bachelor of Commerce degrees to graduate ethically aware, socially responsible business leaders with the necessary technical competencies to enact sustainable business outcomes.

Finally, the establishment of ongoing co-operation with industry to extend the model and curriculum into other majors in the Commerce degree (i.e. finance, human resources, economics etc.) is important for harnessing inter-disciplinary perspectives and achieving cross-disciplinary synthesis. This ongoing participation of industry also provides a feedback loop for the ongoing development and implementation of the model.

DISCUSSION

Starting from the premise that effective business leadership begins with education, this project offers a blueprint for institutions nationwide looking to develop a more engaged, responsive commerce degree that directly apprehends social, environmental and economic challenges in 21st century business practice. Commercial organisations are increasingly looking for ethical/sustainable ways in which to offer their product or services. Graduates should be well equipped to meet these challenges, working from a vantage point of social contribution without ignoring the technical competencies required to lead strong viable businesses. This project blueprints a commerce degree that equips graduates with skill sets that allow them to centre ethical, social and sustainability issues at the core of their decision-making processes. Therefore, the value of this project for commercial industry is the availability of more adaptable, skilled graduates who can bring an ethical orientation while applying profit maximising practice.

Equally, in an increasingly competitive sector, the NFP and social enterprise sectors increasingly require both profit maximising and social orientation competencies in order to survive. The value of this project to these sectors is the integration of these necessary competencies. By hybridising NFP values and commercial business acumen, both sectors can benefit from a more socially responsive form of business leadership that situates ethics, concern for social and environmental imperatives and economic sustainability at its core. The value of this project to students is the diversification of their skill set to enable employment in various sectors. Graduates are technically competent but, more significantly, understand the social/ethical impact they can have as business leaders. Therefore, it is timely that discussion on how business education is re-developed to offer a stronger society/business interaction, a clearer sense of leadership and a responsiveness to emerging social and environmental risks.

CONCLUSION

The objectives presented responds to the recognition that the business environment is constantly evolving and that business education has a place in shaping the future of business practice. While much research has been done on the inclusion of elements such as ethics in business education (in particular, postgraduate business education), this paper seeks to explore the possibility of adopting a hybrid approach at the undergraduate level. The paper proposes the development of an implementation model based on industry, scholarly and student input that draws from NFP, commercial and hybrid business sectors. In doing so, it contributes to the comparatively under-research undergraduate context and thereby suggests further avenues for existing research in business education development.

The present paper poses some concepts and ideas for how such a bybrid model might evolve. However, the research is conceptual in nature and the findings from an implementation are required before further evaluation can be undertaken as to the viability of the proposed approach. Equally, a closer consideration of present models (again, particularly those adopted at the postgraduate level) and their degree of implementation success may also impact on how the implementation of the model proposed here would unfold.

That said, the paper visits some key issues and joins a highly visible canon of research that endeavours to refine and develop business education. It is hoped the present work offers some fruit for consideration.

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Teaching & Learning

CONFERENCE THEME: "Reclaiming the Societal Dimension"

GLOBALIZING THE BUSINESS & SOCIETY CURRICULUM: INTEGRATING ETHICS, LAW AND PUBLIC POLICY

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Bruce Klaw
Anne Barraquier
John Holcomb

Abstract: This paper discusses both the content of a global business and society curriculum, as well as comments on course delivery. Lucien Dhooge discusses the content of his global business ethics course in three parts, including the cases he uses and has developed in health policy, safety, and human rights. Bruce Klaw addresses the unique way his course addresses the issue of global corruption, as well as how the presence of international students may enrich the course, and how study abroad might be improved. Anne Barraquier focuses on the hurdles posed to business ethics instructors in teaching both in and about China, as well as the challenges in teaching students from China. John Holcomb discusses how various frameworks of public policy and ethical analysis might be applied in teaching a global business and society course, and various content items such as competition and environmental policies, corporate governance, and crisis management.

Keywords: global business and society; corruption; study abroad; China; public policy

LUCIEN DHOOGE

Objectives

There were three primary objectives for the creation of the author's global business ethics course. The first rationale is to emphasize the importance of ethical considerations in international business. The second objective is to dispel the belief that legal compliance equates with ethical compliance, in either the domestic or international arena. The final objective is to emphasize that strong ethical commitments provide value opportunities and strategic advantages for business. These course objectives are addressed in three distinct units. Each unit consists of a series of case studies and readings. Each group of case studies and readings is followed by questions, which form the basis of class discussions. The discussion questions are designed to reinforce important concepts in the readings, elicit student responses to ethical issues, and enhance recognition of potential ethical dilemmas.

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Course Materials

The primary challenges with respect to course materials were the time to be devoted to the course (usually no more than four sessions) and the absence of a textbook devoted primarily to the topic of global business ethics. The many outstanding textbooks devoted to the topic of business ethics address global issues in a piecemeal fashion. As a result, the author decided to create his own course materials, listed in Appendix 1. The readings derive from a variety of sources but primarily consist of original writings created by the author. The readings provide a wide range of outlooks and allow the author to focus class discussions on specific topics in a manner consistent with the course objectives. The readings are covered in class primarily in a seminar format consisting of discussions based upon questions set forth at the end of each reading.

Unit One: An Introduction to Global Business Ethics

The initial unit is an introduction to business ethics, whether seen in a domestic or global context. The focal points of this unit are normative and psychological foundations for ethical analysis. This unit consists of four readings.

The first reading entitled *Why Study Ethics? Some Introductory Remarks* addresses the importance of ethics in the business context through presentation of a brief history of ethical dilemmas confronting businesses and the differences between law and ethics. The second reading is *Overview of Major Ethical Theories*. This reading provides students with a brief summary of the major ethical schools of thought underlying teleology, deontology and virtue ethics along with a discussion of their respective strengths and weaknesses. The reading also introduces the concept of stakeholders, defines their interests and presents the attribute approach to determining prioritization of these interests. The third reading, *Why Do Good People Make Poor Ethical Choices?* was adapted from a previous discussion published by Robert Prentice and is intended to increase student awareness of potential ethical dilemmas and foster greater understanding of why people often act in a manner inconsistent with ideal behavior. This reading discusses psychological factors that interfere with desirable behaviors such as obedience to authority, social proof, over-optimism, over-confidence, self-serving bias, framing, process, cognitive dissonance, and sunk costs.

Unit Two: Corporate Social Responsibility

Unit Two addresses corporate social responsibility. Students are assigned two separate readings on this topic. The first reading is Milton Friedman's classic essay entitled *The Social Responsibility of Business is to Increase its Profits*. Questions for discussion include whether corporate executives are truly accountable to stakeholders other than shareholders, Friedman's suggestion that social responsibility necessarily comes at the expense of the interest of shareholders in maximizing profit, and whether accountability to shareholders, customers, and employees is the essence of socially responsible business behavior, or whether that concept is more far-reaching.

The second reading focuses on the issue of corruption. The reading entitled *What's Wrong with Bribery?* sets forth the historical background to the adoption of the Foreign Corrupt Practices Act (FCPA), the elements of bribery as defined in the FCPA, penalties, and accounting provisions. The reading then discusses ongoing bribery investigations in the United States and abroad, with primary

focus on Siemens and Wal-Mart. Questions for discussion include identification of impacted stakeholders and their interests (with particular focus on governance and the community), teleological explanations for bribery, ethical analysis of facilitating payments, and the failure of the FCPA to deter bribery.

Unit Three: The Role of Stakeholders

The third unit is devoted to ethical considerations concerning stakeholders, including shareholders, employees, customers, and the community, all in an international context. This unit, along with part of Unit Two, lies at the heart of my efforts to globalize the business ethics course. Unlike the previous two units, all of the readings in Unit Three consist of case studies. Each case study is followed by discussion questions. The discussion questions address three themes. The first theme is the identification of impacted stakeholder interests. The second theme is the analysis of the behavior primarily utilizing teleological and deontological frameworks. The third theme is application of concepts and readings covered in Units One and Two to corporate behavior, specifically, the concepts and readings regarding normative and psychological considerations.

Employee interests are addressed in two readings. The case study entitled *The Shirts on Our Backs: Factory Safety in the Garment Industry* examines recent factory safety disasters in the garment industry in Pakistan and Bangladesh and poses the question of ethical responsibility of national governments, retailers, contractors, consumers and labor. The case study analyzes this responsibility through application of teleological and deontological principles with particular emphasis on moral relativism, utilitarianism and Kant's categorical imperative. Safe working conditions are also examined in the reading entitled *Slipping on the Banana Peel: Chiquita in Colombia*. This case study examines Chiquita's payment of "taxes" to the United Self-Defense Forces of Colombia in response to threats to harm employees and property owned by Chiquita's Colombian subsidiary Banadex and the aftermath of these payments. Questions for students include whether Chiquita overemphasized the interest of shareholders in profit maximization and in protecting its workers, at the expense of community interests in preventing violence and terrorism by refusing to pay protection money to the insurgents. Chiquita's conduct also may be analyzed from various ethical perspectives.

Two separate interests are highlighted in the materials relating to customers. Initially, *A Fire in the Global Village: Tobacco Production and Exportation in the International Marketplace* examines the role of the U.S. tobacco industry in the global marketplace with particular emphasis on growth markets and the health consequences of smoking in the developing world in general and poor populations in particular. Classroom discussions of this case focus on identification of impacted stakeholders and their interests, whether industry strategies were tainted by any of the factors previously identified as interfering with rational decision-making, and the extent of duties with respect to product safety given the lethality of tobacco products.

A second customer interest in pricing is addressed in *Behold a Pale Horse: The HIV Epidemic, Access to Antiretroviral Treatment and Sub-Saharan Africa*. The case study focuses on sub-Saharan Africa with emphases on existing infections, new infections, adult prevalence rates, and mortality statistics. The case study then examines the role of antiretroviral drugs in combating HIV and issues arising with respect to access and cost. Issues for discussion include the identification of affected stakeholders and their interests, conclusions derived from the application of teleological and deontological

frameworks, and industry response as a model for the treatment of other diseases such as cancer and Hepatitis C.

The final stakeholder addressed in the course materials is the community. Community interests are addressed in the reading entitled *Multinational Corporations and Human Rights*. This case study focuses on human rights-related issues arising from foreign investment in locations such as Myanmar, Nigeria and Colombia. Questions for discussion in addition to analysis utilizing various frameworks include corporate obligations with respect to the performance of human rights due diligence and ethical responsibility in the absence of direct complicity in violations.

BRUCE W. KLAW

The following ideas are essential in effectively globalizing today's Business and Society courses. First, the course needs to weave ethics, law and public policy together in a coherent narrative— rather than treat them as separate modules or classes. Educators can use the umbrella of global corruption to highlight the interrelationships between ethics, law and policy— and create lasting lessons for our future business leaders. Second, in order to globalize a business and society course, instructors should take full advantage of the unique educational opportunities created by the growing presence of foreign students within our courses. Finally, facilitating meaningful ethical experiences abroad for students is important, and they can be made more useful.

I. Weaving Ethics, Law and Policy Together in a Coherent Discussion

First, a business and society course needs to integrate ethics, law and public policy in a coherent and connected narrative. Too often, it seems, we treat these topics as separate modules or classes. Consequently, students compartmentalize the knowledge we impart, and fail to draw the connections between business conduct and its societal ramifications.

I have found success using case studies of global corruption as a unifying subject umbrella to teach these three areas. By corruption, I mean any of a number of forms of unlawful or unethical conduct typically involving the breach of trust or abuse of power—including but not limited to bribery, collusion, and fraud.

One technique to expose students to the relationships between ethics, law and public policy—and challenge them to apply ethics to their understanding of law and policy—is to explain the dramatic correlations between corruption, investment, poverty and conflict.

My starting point is Transparency International's Corruption Perception Index, which is a survey metric by which the level of public sector corruption within a country can be indirectly measured by the perceptions of those working within those countries. Although a given country's rank on the CPI may vary to some extent year-over-year, the general regional trends remain depressingly stable. Certain African, Asian and South American countries tend to appear at the bottom of the list— signifying the highest levels of corruption— while Scandinavian countries, Australia and New Zealand generally appear at the top of the list—signifying the lowest levels of public corruption.

From this, I follow up with research from the World Bank, finding that more corruption necessarily leads to less investment in a given country. I then move students on to the realization that less investment frequently means more poverty in a country: without foreign capital, jobs stagnate and infrastructure will not get built. To bring home the correlation, I pull up a map of the gross national income per capita created by the World Bank. It quite clearly shows that, by region, the poorest populations tend to be located in Africa, Asia and South America while the richest include countries including those in Scandinavia, along with Australia and New Zealand.

Finally, I bring them to a map and dataset from the Economist Intelligence Unit showing the relative levels of peace and conflict within countries across the globe. Unsurprisingly, it shows that the regions with the highest levels of peace are countries in Scandinavia, as well as Australia and New Zealand, while the countries with the highest levels of conflict are generally located in Africa, Asia and South America.

By drawing these stark correlations, students begin to appreciate the relationship between corruption, investment, poverty and conflict. This helps them appreciate the true impact of corruption— more than just explaining that it is a trillion dollar problem globally.

Armed with a sense of those global connections, I work with them through a brief refresher of some of the ethical frameworks—most notably Mill's utilitarianism and Kant's deontology. We discuss how Mill's utilitarianism assesses the "right" thing to do as that which will promote the "greatest happiness for the greatest number of people" in the long run, and after assessing both the quantity and quality of the benefits and harms. We also talk about the two formulations of Kant's categorical imperative: (1) the duty to treat people not merely as means to an end, but always as ends in themselves, and (2) the duty to universalize your maxim.

Finally, I take students through one of a number of case studies so that they may apply what they have learned. One case that I like to use is that of *United States v. Kay*, which involved the case of an American rice exporter whose managers needed to decide whether or not to make cash payments to Haitian customs officials in order to falsely reduce the amount of taxes paid on imported rice. I explain that customs duties are used to fund public infrastructure and development. Without discussing the Foreign Corrupt Practices Act, I then challenge them to state whether the managers should make the payments, and explain why. In my experience, students are then able to apply the ethical frameworks to the corrupt behavior. They tend to recognize that the payments would be wrong, as they will result in overall net harm under Mill's utilitarian approach. They also recognize that the payments would violate Kant's categorical imperative, because the underlying maxims could not be universalized and secret bribes treat local populations as mere means to profit maximization. Armed with these understandings, we then discuss the content and purposes of the U.S. Foreign Corrupt Practices Act and discuss the policy implications of its prohibition of foreign bribery.

II. Integrating International Students into the Classroom Discussion

Integrating law, ethics and policy through delivery of course content, however, is only one aspect of successfully globalizing the educational experience for our students. Another important aspect of creating a truly global educational experience is to draw upon the demographics of our classrooms themselves.

At the University of Denver Daniels College of Business, for example, international students accounted for 17% of the undergraduate population and 32% of the graduate population in the 2012-2013 academic year. In key areas of undergraduate study such as finance, international students represented 30% of the class. Likewise, international students represented 30% of our graduate MBA program and as much as 90% of the M.S. programs in Finance and Accounting. This demographic reality represents both an opportunity and a challenge for educators.

The opportunity is obvious: as we work to "globalize" our classroom curriculum, the reality is that our classrooms are already quite globalized. They offer the opportunities for our students to learn about different languages, cultures, business norms, laws and policy goals from their foreign peers.

The challenge, of course, is how do we as educators, ensure not only that we do not inadvertently leave these non-native students behind, but also how to we take full advantage of the opportunities they offer. Too often, it seems, the language barriers and deferential cultural norms toward educators mean that foreign students relegate themselves to the periphery of fast-paced classroom discussions. They often shy away from offering opinions and wait to be called upon.

I'd like to briefly suggest a couple of ways to harness these opportunities associated with their engagement in class. First, to engage these foreign students, it's critical to identify course content from current sources—at the last minute, if need be—that will be relevant to their experiences. For example, in the past, I have used articles from *The New York Times* and other high quality newspapers to prompt classroom and online discussion. One such article relates to the recent Department of Justice investigations of JP Morgan and other banks relating to their hiring of children of Chinese VIPs in an effort to secure business. I ask them whether this type of behavior should be prohibited or allowed? Why or why not? The responses I've received are interesting, with some foreign students sparking lively debate by questioning whether such hiring practices are improper.

III. Facilitating "Applied Ethics" Travel Abroad

Finally, the last point I'd like to make concerns the need to help globalize our students—and integrate ethics into their worldview—by helping to facilitate more meaningful interpersonal experiences abroad for our students, both undergraduate and graduate.

One reason for the disconnect between what we seek to impart and what our students ultimately retain may be that some of our students cannot appropriately internalize our ethical message of empathy without being able to personally connect with the human faces on the other side of the issue. It's one thing to read about laboring in the Foxconn sweatshop in China, but it's quite another to actually visit a sweatshop. It's one thing to read about the 25% AIDS infection rate among adults in Botswana, but quite another to see the impact of that epidemic upon that country. In my view, travel abroad presents a unique opportunity to bring these realities to life.

Increasingly, business schools are doing a good job of sending students abroad. At the Daniels College of Business, however, they only went to 20 countries. The majority of those countries were in Western Europe and virtually all were economically developed countries. I would like to challenge our business schools to rethink the goals of study and travel abroad to create international

"Applied Ethics" experiences for our students. This might be facilitated by capping the number of students who may receive course credit for studying in a particular country – so that our students are forced to look outside of the comfortable realm of developed western democracies. It may also require that we, as faculty, gain comfort in leading "uncomfortable" trips.

ANNE BARRAQUIER

Like many other business schools in Europe and North America, my institution (a French business school) welcomes an increasing number of students from mainland China each year; unlike most western business schools, it has a campus in China. All students attend ethics, social responsibility and other related courses. CSR literature as we know it, is built upon the assumption that CSR initiatives take place in a market economy driven by corporations in which capital is private, and often somewhat dispersed. China is a transitional, formerly planned economy, still essentially made of state owned enterprises (SOEs) or enterprises where the Chinese government is the ultimate controller (65% of Chinese corporations), and governed by a one-party nondemocratic regime.

The question of teaching business ethics and social responsibility in this particular context is twofold: First, to what extent should the content of such a course reflect assumptions about the rule of law, and the dialogue with civil society? Second, should the one-party rule and resilient authoritarianism, as the Chinese call it, be considered an acceptable alternative model? In that context, this presentation first briefly reviews the fundamentals of CSR. Then, it discusses how a weak rule of law, muzzled civil society, consanguinity of relations between business and political elites, as well as corruption practices, considerably modify the discussion in a course on CSR and business ethics.

CSR is generally considered as those initiatives that companies take to serve societal needs, once they have complied with their economic and legal engagements. In recent years, CSR initiatives have flourished, driven by strategic motivations. Some scholars have expressed concerns about a purely instrumental CSR, warning "the concept of corporate social responsibility…was built upon deep moral ideas about the primacy of human interests over corporate ones" (Wood, Logsdon, Lewellyn and Davenport 2006). CSR principles have also strongly weakened the cultural relativism paradigms, which enabled firms to behave unethically in ill-regulated markets. Meanwhile, the future development of CSR as a moral driver of the global economy remains uncertain.

The China Difference

The concept may be meaningless in China, where the political and institutional context denies civil society, and not because of cultural reasons (Chinese culture has inherited a strong moral philosophy based on virtue and compassion). Government mandates rather than stakeholder dialogues trigger decisions in the Chinese economy. As a result, teaching CSR in China will evolve towards an emphasis on strategic benefits and an avoidance of ethical rationales.

Matten and Moon (2008) suggest that CSR can be explicit, with policies and programs formally described and promoted as CSR (e.g., in North America), or implicit, with greater government intervention and regulatory pressure (in Europe). CSR functions better within specific institutional conditions such as managerial accountability to the market, government and society; a strong rule of

law to control the market; independence of institutions and business; and a powerful civil society. These conditions do not exist within the authoritarian context prevalent in China.

Centuries of Confucian tradition have also driven Chinese students to behave passively in class and suppress, rather than stir up, debate. As a result, their priority is to obtain course credits and not to engage in a political discussion within the class. Indeed, Chinese students are generally patriotic and supportive of their government, and any questioning of the Chinese system can be perceived as an attack against China. China's economic success has created a strong nationalistic sentiment, which also unites the elite and upper middle class, the reservoirs of the golden youth studying abroad.

Chinese professors and intellectuals who have terribly suffered and been persecuted during the Cultural Revolution (1966-1976) do not pose much resistance to the regime either. China specialist Stephen Noakes (2014) reports that political science research in China surprisingly fortifies the one-party rule and legitimizes "resilient authoritarianism." On top of that, the authorities do not hesitate to censor and exclude certain topics from classroom discussion. The central government has instructed higher education institutions to abide by the rule of the "seven no-speak" (taboo in Chinese). The rule was to forbid professors from discussing universal values, freedom of the press, civil society, civil rights, historical errors of the party, privileges of the capitalist class, and judicial independence.

Rule of Law and Corruption

Laws are also not systematically enforced in China. Chinese legalist, He Weifang (2012), states that the absence of a rule of law in China, makes "legal" and "illegal" powerless words. He also argues in favor of the implementation of the constitution, saying that "various rights granted in the constitution are not strictly guaranteed", and that "the mutual checks and balances of power provided for in the constitution have never been implemented".

A fierce debate about constitutionalism has taken place in China over the past decades. Constitutionalists support a more democratic China. While reformists promote citizen rights and the emergence of civil society, opponents of constitutionalism fiercely oppose the rise of civil society. They defend the idea that the Chinese model is resilient, and insures continuity and stability for the country. *They argue that China's specific institutional environment, which combines a strong government with a strong business system and a weak civil society, constitutes an alternative to uncontrolled capitalism in post-industrialized economies and unstable politics in young democracies.*

The absence of rule of law is causing serious problems to Chinese society and people. As transition economies move towards a market economy, they experience massive job losses, due to the privatization of state corporations. Millions of workers in China have lost their jobs in such circumstances ("off the ladder" in Chinese). As a result, social unrest is rising. Social conflicts in organizations are increasing drastically, with estimates that about 80,000 strikes occur every year. In 2005, 6,000 coalmine workers were killed in mine accidents. Workers' protection and social rights, have almost completely disappeared, and cases of abusive working conditions leading to severe mental and physical distress are so extreme that the Chinese government has to negotiate with exiled labour rights activists (independent unions are unauthorized) and civil rights lawyers, in fear of social unrest (Chan 2001, Han 2014).

Such situations are well known by the public because the Chinese media abundantly report and comment on such events (Chinese journalists can report on these events as long as they do not break the taboos). How does a professor in the classroom, though, dare to discuss the idea that employees are a primary stakeholder of the corporation, have contract rights and duties, can organize a strike, and can join a union to defend their rights?

The need for a strong rule of law to control the market is also not met, given the dependence of judicial power on the party, the non-separation of the executive, legislative and judicial branches, and the fragility of the legal system. Business requires a strong rule of law and judicial independence to reduce uncertainty and create fairness in its legal environment. As a result, foreign investors usually prefer to bring lawsuits in foreign courts rather than in the Chinese judicial system.

Chinese corporations are also in a difficult situation, because the Chinese State is the ultimate controller in more than 65% of them. The Chinese Communist Party (CCP) designates corporate leadership. Chao (2013) conducted an in-depth analysis of the Chinese elites. She found that, "In a one-party state like China, the CCP and the government elites decide elite membership in the commercial as well as the political sector," and the fact that the CCP "fills the leadership positions of the most important state and private companies in China is a rarely discussed fact."

Consequently, board members and CEOs are more likely to nurture good relations with the political authorities, whether national or regional, and to be active in political games, than to behave independently and morally. Finally, board members and managers try to safeguard their personal self-interest and status in the corporation. In order to do so, they have engaged in massive corruption activities, a problem the Chinese government is publicly tackling but has also created, and in which it participates, due to the collusion of political and commercial elites (Chao 2013).

Within this context, a business ethics professor will face diverse challenges. He/she cannot deliver a course on governance where agency issues are discussed. For example, the debate over shareholder primacy is biased, since the majority shareholder is often the State. Shareholder activism becomes meaningless, and the balance of power between the shareholders, the board and executives is nonexistent.

JOHN M. HOLCOMB

I. Frameworks of Analysis and Concepts

In addition to the ethical frameworks mentioned in the preceding two sections by Lucien Dhooge and Bruce Klaw, there are other frameworks that might be applied in a course that combines business ethics and public policy in a global context. In a course on Global Values, I have used the executive's compass, drawn from a book of the same name by James O'Toole (1995). The compass has the historic values of liberty at the northern pole and equality at the southern pole. Community is at the western pole and efficiency at the eastern pole. The compass provides an interesting way to plot and discuss the values of any business, organization, or nation state. For instance, the U.S. has traditionally been in the northeastern quadrant, with an emphasis on liberty and efficiency, while Scandinavian countries have traditionally been in the southwestern quadrant, somewhere between

community and equality. Students can also use the compass to plot movements of states and regimes from one era to another, and to map the positions of various corporations and other public policy actors. To understand where actors are located is one step in a process of negotiation or collaboration.

Another ethical concept useful in ascertaining and evaluating a proper course of action is that of ethical relativism. Embedded in this concept is the determination of what rights are truly fundamental and which are only culturally preferred by any nation state. While some scholars believe there is an expanding universe of fundamental rights, others such as Michael Ignatieff (2004) argue in favor of moral minimalism, and that such rights can only be universal if they are embraced and enforceable across most cultures and religions. The upshot is that corporations may have a wider zone of ethical discretion on some issues and in some political-economic systems than in others. Another related concept is that of corporate global citizenship, based on a growing literature.

Beyond ethical concepts and frameworks are public policy concepts and frameworks that may be useful to apply in a global business and society course. The debate between advocates and analysts of pluralism and of elitism provides a way of understanding the power structures of different political and social systems around the world (Rothkopf, 2008). Students should consider how business must both adapt to such systems and justify their existence within such systems, so it is useful to understand the premises underlying the various power structures, and their features. Further, the tension between political realism and political idealism is one with which business must deal, as it attempts to be both pragmatic and socially responsible. Finally, with the growing importance of soft power, as opposed to hard power, in international politics, business must realize its importance as an instrument of soft power in defending the interests of its home country. There is a rich literature on pluralism, elitism, and plural elitism, as well as on hard and soft power, that might inform a global course on business and society. Regarding any legal components of the course, the differences between public and private international law would find a place, as well as the differences between hard and soft law.

II. Menu of Issues and Cases

Lucien Dhooge, Bruce Klaw, and Anne Barraquier have all stressed the importance of addressing the bribery and corruption issue, as well as the human rights and intellectual property issues in a global business and society course. They are all essential components of such a course and contain important ethical and legal dimensions. They also could be analyzed through application of the executive's compass and by mapping the key actors on the compass. To the importance of distributional justice aspects of human rights issues, and what Rawls might call positive rights, the course might also include a discussion of the overall distributional and growth consequences of outsourcing. Economists have debated the issue for several years and have produced some empirical analyses that might help managers better appreciate the economic and ethical impacts of outsourcing on both home and host countries. The decision to outsource manufacturing implicitly relates as well to a consideration of labor practices in emerging markets and the debate over the responsibility that corporations like Nike and Wal-Mart have for their supply chains and contractors. To the consideration of human rights policies might be added a negative rights analysis with discussions of privacy rights and the freedom of speech. Challenges by EU countries against alleged

invasions of privacy by Google, and actions by China to curtail Google's exercise of freedom of speech, provide useful case studies to use in a global business and society course. The lower value that Muslim and other countries place on free speech creates tension with western political systems on the publication of articles and cartoons that criticize or satirize the actions of Muslim extremists, and hence provide other useful case studies for the course. Beyond those issues, here is a menu of other possible issues and cases to address:

Global Competition Policy

Though not a standard component of business ethics texts, it is included in several texts on International Business Law and is an important feature of an increasingly globalized and integrated world economy. While it also has important growth and distributional impacts on the world economy, there are a variety of legal standards and approaches throughout the world and evolving activism by more countries. Multinational enterprises (MNEs) encounter more aggressive enforcement policies in the EU, as evidenced by the cases there against Microsoft and Google and the EU's success in blocking a merger between General Electric and Honeywell. Further, China has since embarked on antitrust inquiries against Microsoft, Facebook, and other high tech companies for their pricing and marketing policies.

Global Environmental Policies

Climate change is the overriding global aspect of environmental challenges, along with the related international treaties and accords. It tests the will and wisdom of corporations, governments, and NGOs to develop consensus solutions to the problem. It also raises interesting questions of national and international legal jurisdiction to attack such problems as cross-border pollution, on which there have been a number of court decisions. There are also two cases that address legal and ethical complexities of environmental impact that might be enlightening for students. The case of Spain v. Canada involves the fishing rights of Spain off the coast of Canada, with Spain concerned about the fate of its fishing industry and Canada concerned about the depletion of the fish stock. Canada is also accused of piracy when it chases Spanish fishing vessels from its waters. Legal rights and jurisdictions are also embedded in the case. More current is the case of Chevron v. Ecuador, over the environmental and health impact of Chevron's oil drilling in Ecuador, along with jurisdictional issues and charges of corruption against the Ecuadorean legal system and against an American law firm representing Ecuadorean interests.

Terrorism and Corporate Crisis Management

The Chiquita Brands case discussed by Lucien Dhooge is an excellent example of a case involving terrorist attacks on corporate employees and the ethical and legal choice of paying protection money to terrorists. It also raises governance questions regarding the responsibilities of a board audit committee to self-report any illegal payments to the Justice Department. In a global business and society course, other cases, ethical choices, and legal obligations are also available. For instance, the case of Royal Dutch Shell in Nigeria poses various issues, including NGO influence on oil company practices, and the legal checks of the Alien Tort Claims Act and Alien Tort Statute on corporate complicity with human rights violations by government forces, allowing victims or their families to sue in the U.S. Further, a global business and society course might include a discussion of the

growing impact of cyber attacks on corporations and their customers, with plenty of case examples now available.

Global Corporate Governance

Corporate governance is often a component of a business and society course, and global comparisons make the issue an even more compelling one. While the U.S. invests more power in boards of directors, other countries like the U.K. invest more formal power in shareholders. Meanwhile, as global shareholder activism expands, shareholders in the U.S. pressure foreign companies through litigation and pressure U.S. companies through both litigation and shareholder resolutions. Foreign shareholder groups simultaneously are bringing pressure on both their own companies and against U.S. companies.

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APPENDIX 1: COURSE READINGS

Lucien J. Dhooge, *Why Study Ethics?*
Lucien J. Dhooge, *Overview of Major Ethical Theories*
Steve Salbu, *Why Do Good People Make Poor Ethical Choices?*
Lucien J. Dhooge, *What's Wrong with Bribery?*
Lucien J. Dhooge, *The Shirts on Our Backs: Factory Safety in the Garment Industry*
Lucien J. Dhooge, *Slipping on the Banana Peel: Chiquita in Colombia*
Lucien J. Dhooge, *A Fire in the Global Village: Tobacco Production and Exportation in the International Marketplace*
Lucien J. Dhooge, *Behold a Pale Horse: The HIV Epidemic, Access to Antiretroviral Treatment and Sub-Saharan Africa*
Lucien J. Dhooge, *Multinational Corporations and Human Rights*

Teaching & Learning

CONFERENCE THEME: "Reclaiming the Societal Dimension"

WORKING TOGETHER IS IN THE BEST INTERESTS OF SOCIETY: TEACHING RESTORATIVE JUSTICE SKILLS TO BUSINESS STUDENTS

Deborah L. Kidder[1]

Abstract: This paper presents the results of an empirical study examining whether business students' restorative justice skills, specifically empathy and perspective taking, can be improved. Data were collected at the beginning and the end of the semester. The results showed no change in empathy but a significant increase in perspective taking ability for both undergraduate and graduate students.

Keywords: Teaching; Pedagogy; Emotional Intelligence; Restorative Justice; Perspective Taking

INTRODUCTION

I've always felt that our mission as academics is to create knowledge, which we achieve through teaching. Whenever we present or publish a research study, we teach our colleagues and the business community something new. We also increase the pool of knowledge every time we teach a student something that s/he did not previously know. Given the current negative image of MBA programs, I think that faculty in business schools need to make a conscious effort to think about and teach what is best for society, not just managers and shareholders.

I believe that learning is a collaborative process. By encouraging students to work together both in and out of the classroom, I encourage them to see me as a knowledgeable guide rather than an oracle of knowledge. I believe that students "learn to do by doing": as they sort through the information presented to them, interpret the material, and discuss their interpretations and experiences with others, students master critical thinking skills and gain insights into how to function effectively in organizations. It is important to me that students walk out of my class feeling that they learned something useful that will help them in their future.

I expect my students to think about issues and make connections rather than simply memorizing the textbook. Respect and appreciation of individual and cultural differences, and the ability to cope with disagreement and ambiguity are skills that I stress in all of my classes, regardless of the topic. This focus on getting students to think about others besides themselves is especially important in a business school, in my experience.

Both my experience as a professional mediator of employment disputes, as well as my research in the area of restorative justice, have had a strong influence on how I approach teaching conflict management skills in my classes. I have been teaching my students about the tenets of restorative

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justice for approximately three years now, but I have yet to do a systematic analysis of whether their conflict resolutions skills improve in my class. For this paper, I am presenting an empirical study of my efforts to improve my student's conflict resolution skills.

BACKGROUND

Restorative justice is a relatively new topic in the Management literature2, but it represents a promising avenue for getting managers and employees to re-think how to deal with conflict in the workplace. The basic tenets of restorative justice include a focus on getting the victim, the perpetrator, and other involved parties together to find a way to resolve the conflict and make the victim feel better (to restore the victim in some way). The process involves having the offender admit they did something wrong, the victim acknowledging this and ideally forgiving the offender, and the group working together to decide how to make things better going forward.

The underlying skills necessary for restorative justice efforts to be successful are empathy and perspective taking (Galinsky, Magee, Inesi, & Gruenfeld, 2006; Kidder, 2007; Parker & Axtell, 2001). These skills come under the social competence dimension of Emotional Intelligence, dealing with social awareness (Goleman, Boyatzis, & McGee, 2002).

There have been two basic approaches to empathy and perspective taking in the literature. On the one hand, some view empathy and perspective taking as traits that are relatively stable; the focus of this research stream is to measure the effect of different levels of empathy and perspective taking on other variables. On the other hand, social psychology scholars are more apt to consider empathy and perspective taking as part of a social process and to view these as skills that can depend on the situation. For example, if someone is asked to imagine how he or she would feel in a particular situation or to guess how the person in a situation feels or thinks, it is possible to increase a subject's social awareness (Davis et al., 1996).

I believe that both approaches reflect reality. Research on perspective taking has linked it with higher levels of cognitive complexity and moral development (see Parker & Axtell, 2001 for a review), thus suggesting that certain individuals are more likely to be able to effectively take the perspective of others. I also believe that it is possible to improve the perspective taking ability of most of my students.3 This paper presents an empirical study measuring whether or not my efforts in the classroom do, indeed, improve my student's empathy and perspective taking abilities.

The society I'll be addressing in this study is the United States, given the population of my students. The US culture is a very unforgiving one- note the high levels of incarceration and litigation. Individuals grow up learning to focus on their rights, but not necessarily on their responsibilities. In addition, conflict is very often characterized as the "good guy" versus the "bad guy", and the focus

[2] It is not a new concept however. This alternative form of dispute resolution started to gain momentum around the world in the 1970's and is well-represented in the criminal justice literature. Many restorative justice programs have their roots in alternative dispute resolution practices drawn from indigenous cultures (e.g., Aborigines, Native American, First Nation, Maori, etc.) The goal of restorative justice is to heal relationships after a conflict has occurred.

[3] In my experience, there are some students who are unable to see things from another person's point of view. I have never formally tested, but I would expect that these students suffer from some level of Asberger's/autism.

is more on whom to blame and punish rather than how to make things better. In this context, one of the major tools I use is to play devil's advocate. I routinely take the unpopular side of a discussion, challenging students to consider that someone who has done something wrong is not necessarily evil, and asking if it is possible to forgive and move on from a bad situation.

RESEARCH DESIGN AND RESULTS

The key to helping students develop a more productive view of dealing with conflict involves improving their social awareness. For this study, I had students fill out an instrument at the beginning of the semester and again at the end of the semester that measured their empathy and perspective taking skills4. I collected data in two undergraduate courses (upper-level electives) and one MBA course (required).

The measures of empathic concern and perspective taking were drawn from two of the four scales of Davis' (1980) Interpersonal Reactivity Index. This widely used measure has internal consistency and test-retest reliabilities in the 60s and 70s. The Interpersonal Reactivity Index looks at several dimensions of concern for others. The two dimensions of most concern to this study were empathic concern and perspective taking. Empathic concern is an emotional concern for the wellbeing of the other party. This seven-item scale had an alpha of .70. Perspective taking is a more cognitive task of seeing from where the other party's views are originating. This seven-item scale had an alpha of .72.

There are several ways that I try to improve my student's social awareness. I teach students about active and reflective listening. I cover the basics of the process of restorative justice, which is an alternative form of dispute resolution. I provide various case studies where students are challenged to think of the situation from the other person's perspective.

An example of one small group activity can be found at the end of this paper (see the Appendix). The small groups of students were randomly assigned to one of four manipulations. They answered a series of questions involving their critical analysis of the situation and their suggestions for resolution. As you can see from the manipulations, the culpability of the offender increases. After the student groups analyzed the case, we had a full class discussion, where they learned the differences between the scenarios. I continued to challenge them to explore their attitudes about this situation and to think about the people involved. This case is based on a real experience I had in a mediation-- the fourth manipulation was the true story.

The data for this study were drawn from three Management courses, two undergraduate and one graduate course. The age range for the undergraduate courses was 20-23 years, and the range for the MBA class was age 22-50, with the average age approximately 27. The total sample size was 68 (48 undergraduate and 20 graduate), and 43% of the sample were female.

[4] When I initially formulated this research plan, I applied to my university's IRB for approval. I was informed that this type of study is not within the scope of a Human Subjects review panel, because it involves data that are collected as part of the normal functioning of the class. I have collected these data for years; I use this information to put student teams together that equally diverse. The assessment I use is extensive, but has these two scales as part of it. At the end of the semester, I collect the information again to check whether the course goals have been met.

Table 1 presents the correlations among the study variables. There were no significant differences between the undergraduates and the graduates on any of the variables. Female students had significantly higher empathy and perspective taking skills, both at the undergraduate and graduate levels.

Table 1. Correlations

Variable	Level	Gender	EC-T1	EC-T2	PT-T1
Level (1=MBA)	-				
Gender (1=female)	.03				
Empathetic Concern (T1)	.01	.28*			
Empathetic Concern (T2)	-.04	.26*	.62*		
Perspective Taking (T1)	-.03	.13	.15	.08	
Perspective Taking (T2)	-.03	.07	.25*	.34**	.40**

*p<.05 **p<.01

Table 2 presents the paired sample comparisons between the student's empathy and perspective taking skills at the beginning of the semester and the end of the semester. The data show no change in students' empathy but a significant increase in perspective taking. These results hold when looking at the entire sample, as well as within each level (undergraduate and graduate) and by gender.

Table 2. Paired Sample Comparisons

		Empathy		Perspective Taking	
	N	Pre	Post	Pre	Post
Full Sample	68	3.84	3.86	3.56	**3.92****
By Level					
Undergraduate	48	3.81	3.83	3.57	**3.93****
Graduate	20	3.82	3.78	3.53	**3.90****
By Gender					
Male	39	3.69	3.69	3.49	**3.89****
Female	29	3.98	3.97	3.65	**3.96****

*p<.05 **p<.01

DISCUSSION

My goal when teaching my Management students, both undergraduate and graduate, is to equip them with the skills necessary to deal effectively with conflict, in particular, developing the restorative justice skills of empathy and perspective taking. This study represented my attempt to measure whether my classes are having an impact on these skills.

The results were mixed. There was no difference in empathy between the beginning and the end of the semester, but there was a significant increase in perspective taking. An examination of the data shows that student's initial empathy was relatively high (over 3.8), while perspective taking was closer to 3.5. It may be that the students' empathy skills were more developed and therefore had less room to grow. Another alternative would be to consider if empathy is more trait-based and less amenable to development, whereas perspective taking may be more easily improved.

This study is very preliminary. While it is reasonable to assume that other influences were randomly distributed among the students, it is possible that there was some other explanatory variable outside of my class that could have influenced the sample of students to improve their perspective taking skills. Another limitation of this study is that it is impossible to determine what specific activities (or perhaps it was simply my role-modeling and playing devil's advocate) were the most efficacious in improving these students' perspective taking skills. It may be productive to continue to collect data, including a mid-semester assessment and/or an assessment immediately following a particular activity. It is encouraging to have empirical evidence that my students' skills are improving. Given the importance of perspective taking for resolving conflict and making it possible for individuals to work together effectively, I hope the results of this study encourage other faculty to attempt to improve this skill in their students.

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APPENDIX

Instructor notes: Make four versions of the case, using the same instructions but varying the case, and provide enough copies for each student. Divide the class into small groups. Give each group copies of one version of the scenario, making sure that each scenario is being used by at least one group. Be careful to make sure that each person in the group gets the same version; students have been known to pass extras from their group to people in a nearby group, so I usually count out the copies so that there are no extras. Provide one answer sheet (see below) to each group. Once each group is done, ask the class what the scores were for the first question. Sometime during this part of the discussion, they will realize that the scenarios were different. Continue the discussion, helping them explore why the groups had different answers. Play devil's advocate when they condemn the main character and ask them to take his perspective.

Case and Manipulations

Restorative Justice Case Analysis

INSTRUCTIONS: On your own, read the following scenario. As a group, discuss your answers to the questions listed below. Take turns writing in the answers that the group comes up with on the group answer sheet, so that each person in the group has a chance to write at least one answer. Be prepared to discuss your answers with the rest of the class.

Company XYZ is a small company in the health care industry. XYZ service employees must make periodic trips to customer homes to check that installed equipment is functioning correctly, as well as respond to emergency calls from clients that are experiencing problems. Service employees are organized geographically, so, in general, they are assigned a set list of clientele. This structure leads to repeated interactions between employees and clients. The company is aware of the importance of screening service employees because of potential negligent hiring legal issues.

One day, the head of HR received a sexual harassment complaint against one of their long-standing male employees from a female client. The client also called the police and had the employee arrested. Because of the complaint and the arrest, HR immediately terminated the male employee. The company has a strict policy prohibiting sexual harassment and felony charges, because of the nature of the business (going into clients' homes). The male employee's record had no prior infractions.

VERSION 1: It turned out that the female client had filed the charges because the male employee refused to have sexual relations with her. He was cleared of all charges. However, the company refused to hire him back. He filed a discrimination complaint and it was sent to mediation to resolve. Legally, the male employee had no basis for his complaint. He was unable to obtain employment elsewhere because of his termination and his arrest record.

VERSION 2: It turned out that the female client ***was mentally disabled (cognitively immature)*** and had filed the charges because the male employee refused to have sexual relations with her. He was cleared of all charges. However, the company refused to hire him back. He filed a discrimination complaint and it was sent to mediation to resolve. Legally, the male employee had no basis for his complaint. He was unable to obtain employment elsewhere because of his termination and his arrest record.

VERSION 3: It turned out that the female client ***and the employee had been having an affair. The employee was a married man and decided after about 6 months that he should end the affair.*** The female client then decided to file charges because he refused to have sexual relations with her ***anymore***. He was cleared of all charges. However, the company refused to hire him back. He filed a discrimination complaint and it was sent to mediation to resolve. Legally, the male employee had no basis for his complaint. He was unable to obtain employment elsewhere because of his termination and his arrest record.

VERSION 4: It turned out that the female client ***was mentally disabled (cognitively immature) and the employee had been having an affair with her. The employee was a married man and decided after about 6 months that he should end the affair.*** The female client then decided to file

charges because he refused to have sexual relations with her ***anymore***. He was cleared of all charges. However, the company refused to hire him back. He filed a discrimination complaint and it was sent to mediation to resolve. Legally, the male employee had no basis for his complaint. He was unable to obtain employment elsewhere because of his termination and his arrest record.

Restorative Justice Case Analysis Group Sheet

INSTRUCTIONS: After reading the scenario, as a group, discuss your answers to the questions listed below. Take turns writing in the answers that the group comes up with on the group answer sheet, so that each person in the group has a chance to write at least one answer. Feel free to continue on the back if needed. Be sure to hand in this sheet before leaving class today.

1. On a scale from 1-10 (1=no sympathy, 10=lots of sympathy), how much sympathy do you have for the employee in this case and why?

2. Who is/are the victim(s) in this situation?

3. How would you have dealt with this situation if you were the owner of the company?

4. If XYZ services used restorative justice instead of due process, what possible solutions could they come up with to deal with the situation?

Teaching & Learning

CONFERENCE THEME: "Reclaiming the Societal Dimension"

ACADEMIC DISHONESTY MEETS FRAUD THEORY: A MARRIAGE OF CONVENIENCE

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Linda C. Rodriguez

Abstract: This paper demonstrates how the theoretical framework of white-collar crime, grounded in the "Fraud Triangle" provides a useful theoretical foundation for research in academic dishonesty.

Keywords: academic dishonesty, fraud, cheating, moral integrity, ethics

INTRODUCTION

A recent review of accounting literature highlighted the existence of a double-bind --a significant increase in academic dishonesty *and* a serious global economic crises characterized by greed, immoral judgment, and fraud in business and finance. This situation is accompanied by the lack of a theoretical basis for the rigorous study of academic dishonesty (Apostolou, 2013). Opportunely, fraud in the corporate world has been extensively studied, resulting in a well-established theoretical framework. It is the objective of this paper to demonstrate how the theory of fraud, grounded in the "Fraud Triangle", provides a useful theoretical foundation for future research in the area of academic dishonesty.

The phenomenon of academic dishonesty, defined as all forms of cheating (e.g. plagiarism, unauthorized assistance on assignments and examinations) has increased exponentially in higher education. Rates of cheating among accounting students in the U.S. have reportedly increased to 64% in 1993 from 39% in the early 1960s (McCabe, 2001). Additionally, it appears that although most students (92%) believe that cheating is not ethical, almost half (45%) believe it to be socially acceptable (Bernardi, 2011). It has been suggested that students who cheat in college are more likely to engage in unethical behaviors in their subsequent work life (Preiss, 2013) (Lawson, 2004) (Sims, 1993). If that is the case, the trend in academic dishonesty creates an even more dismal and fraudulent future in business, and a challenge for academicians who value ethical education and moral development in undergraduate education. This is especially true for accounting faculty whose students are future members of a profession for whom the public holds high expectations of integrity and high moral values (Saat, 2012).

The current global financial crisis resulting from failed financial institutions and corporate frauds exacerbates the crisis of social acceptability of academic dishonesty among future business leaders. Government interventions and increased public scrutiny highlight the breakdown in the ethical

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behaviors of business leaders, and make the role of business education even more critical. An article in the Wall Street Journal chastised academe with this quote, "By failing to teach the principles of corporate governance, our business schools have failed our students" (Jacobs, 2009). Poor corporate governance is charged with responsibility for adversely affecting corporate performance, financial reporting, and the potential to cause business failure and loss of public confidence (Rezaee, 2012). Further, in countries where the propensity for academic dishonesty is high, there is a positive correlation with corruption levels (Rocha, 2006). Because of the perceived failure of higher education regarding moral and ethical training of business students academe faces the opportunity to step up in preparation of future business leaders to act with integrity. This challenge is counter to the mindset of the growing number of college students who either engage in or accept academic dishonesty as acceptable.

The topic of academic dishonesty first appeared in accounting literature in a 2010 review, where it was included as a curricular issue. A recent updated study included academic dishonesty as a stand-alone topic, underscoring the pervasiveness of the problem in academia today (Apostolou, 2013). Studies on academic dishonesty have most recently examined: the student's understanding of what constitutes cheating (Ballantine, 2011) (O'Neill, 2012) (Macfarlane, 2012), the antecedents of cheating (pressures, academic integration, awareness, moral capability, gender, age, academic performance, accounting education, technology, institutional support, cultural influences) (Guo, 2011) (Canarutto, 2010), rationalizations (Macgregor, 2012), intentions to cheat (based upon awareness of the behaviors of peers, prior cheating behaviors, and ethical sensitivity regarding cheating) (Bernardi, 2011). Reviewers of this literature cite lack of a theoretical framework for the study of academic dishonesty as a serious flaw that limits the generalizations that can be reasonably made.

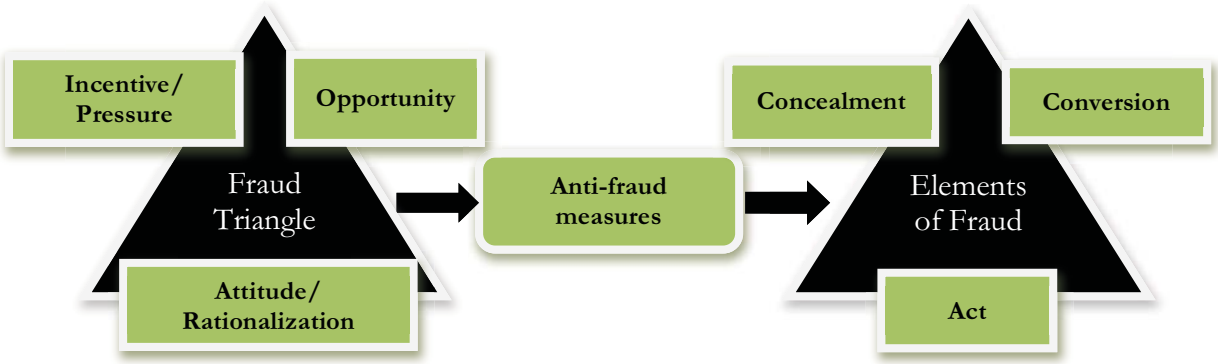
The evolution of a theory of fraud began with what is referred to as the Fraud Triangle, which first appeared in sociology literature over sixty years ago (Creasey, Other People's Money: The Social Psychology of Embezzlement, 1953) (Creasey, 1950). These seminal works on white-collar crime hypothesized that three criteria were necessary for fraud to occur: (1) opportunity; (2) rationalization; and (3) motive. The Triangle provided an adequate model for examining fraudulent activity for several decades until studies began to suggest that, as both financial markets and fraud schemes grew in complexity, the Triangle likely failed to capture emerging antecedents for fraud (Albrecht, 1984). Eventually a corollary model to the Triangle, which focused on the fraudster, was further developed to include a focus on the crime/fraud act itself (Albrecht, 2006). The elements of fraud according to the expanded model include the act (execution and methodology of the fraud), concealment, and conversion (how the gain is made legitimate for personal use). More recently the work on antecedents of fraud has examined the potential deterrents of detection and punishment, which holds particular relevance to the problem of academic dishonesty (Dorminey, 2012).

METHODOLOGY

This paper correlates the findings from academic dishonesty research to the fraud theory model used by auditors to predict, detect, and prevent fraud in financial reporting. By organizing existing findings into a cohesive framework, we propose a theoretical grounding for more rigorous future study of academic dishonesty.

The Fraud Triangle: the left-hand triangle in Figure 1 represents the theoretical framework of white-collar crime, describing the necessary conditions for fraud to occur: incentive, opportunity, and the individual ability to rationalize deviant behavior (Creasey, 1950).

Figure 1. The Auditor's Model with Respect to Fraud
Trompeter, Carpenter, Desal, Jones, Riley (2013)



Trompeter et al, 2013, expanded the model to include elements of fraud, depicted in the right-hand triangle: the ability to conceal the defalcation, the ability to convert the spoils to personal gain, and the nature of the act/crime itself. Anti-fraud measures to mitigate the risk between the propensity to defraud and the act itself have been designed and refined over half a century by auditors and managers.

Academic Dishonesty Literature: as discovered in the course of this research, results of major studies on academic dishonesty overlay the elements of the Fraud Triangle quite perfectly, which we here propose reframing in the context of Academic Dishonesty (Figure 2). While this review of the literature on academic dishonesty is not complete, it includes studies that demonstrate how the research matches the Fraud Triangle framework, and is intended to be illustrative rather than exhaustive.

Figure 2: Triangle of Academic Dishonesty

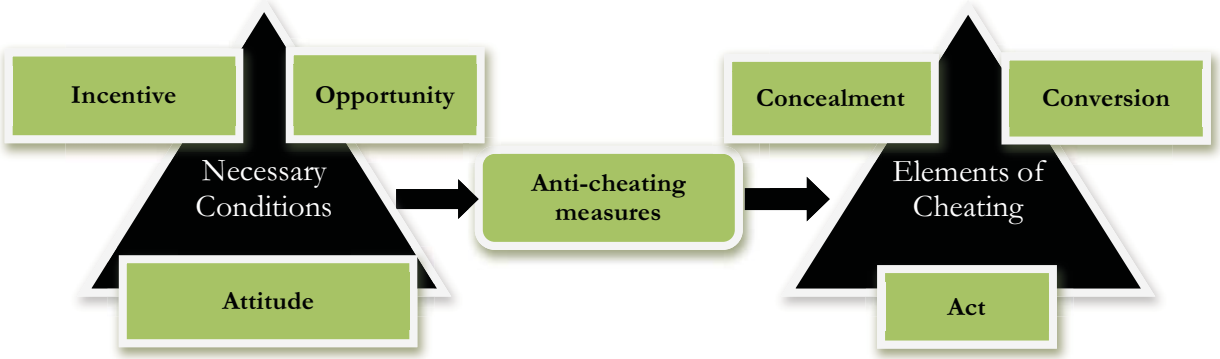


TABLE 1: Mapping Research over Triangle of Academic Dishonesty

Research	Factors examined
INCENTIVE	
Ameen et al, 1996; Duff, 1998; Abdolmohammadi & Baker, 2007	Fear of failure/pressure to succeed
Bennett, 2005	Financial difficulty (need to work)
Introna et al, 2003; McCabe et al, 2001; Haines et al, 1986;	Financial support from family/government/loans/grants
Park, 2003; Franklyn-Stokes & Newstead, 1995; Errey, 2002	Lack of time (due to social activities, family demands, work requirements, poor time-management skills, unrealistic assignment deadlines)
Burris et al, 2007	Social pressures (gaining favor, avoiding disapproval)
Guo, 2011	Institutional support
Grasgreen 2012;p Burris et al, 2007	Facing expulsion, risk of losing scholarship, lack of time, and maintaining GPA are most significant incentives to cheat
Carrell et al, 2008	Awareness of peers cheating
OPPORTUNITY	
Guo, 2011	Technology and internet
Smith et al, 2002	Absence of in-class deterrents
Bernardi et al, 2008	Strategies to minimize perceived opportunity (multiple exam formats, scrambled seating, increased supervision, provision of calculators)
Keith-Spiegel et al, 1998	Lack of faculty resources (evidence, time/effort, courage) to act
ATTITUDE	
Yu & Zhang 2006	Business vs. non-business students
Guo, 2011	Awareness of what constitutes cheating
Baack et al, 2000; Abdolmohammadi & Baker, 2007; Trevino, 1986	Ethical sensitivity
MacGregor & Steubs, 2012; Carroll & Appleton, 2001; Ashworth et al, 1997	Quality of teaching (alienation, poor pedagogy, unrealistic expectations)
MacGregor & Steubs, 2012	Perceived insignificance of behavior
MacGregor & Steubs, 2012	Time constraints and sense of justice
MacGregor & Steubs, 2012; Rettinger et al, 2009; McCabe et al, 2006	Peer behaviors
Ashworth et al, 1997; Carroll & Appleton, 2001	Alienation (lack of contact with faculty, large classes), poor teaching, and perception of insignificance of subject matter contribute to attitudes about cheating
ANTI-CHEATING INTERVENTIONS	
O'Neill & Pfeiffer, 2012	Existence of an honor
McCabe & Trevino, 2001, 1993; Verschoor, 2004	Culture of integrity and codes of conduct
MacGregor & Steubs, 2012; Burris et al, 2007	Communication; caring relationships with instructors
Bernardi et al, 2008	Classroom interventions
Grasgreen, 2012	Early interventions
Bloodgood et al, 2008; Earley & Kelly, 2004; Shaub, 1994	Ethics education
CONCEALMENT	
Ameen, 1996	Expectations of punishment if caught
Bernardi et al, 2008	Strategies to minimize concealment (multiple exam formats, scrambled seating, increased supervision, provision of calculators)
CONVERSION	
McCabe et al, 2002	Faculty non-reporting
Sierles et al, 1980	Lack of possible sanctions
Bernardi & Adamaitis, 2006	Prior successful cheating future intention to cheat
ACT	
McCabe, 2002	Index of academic integrity
O'Neill & Pfeiffer, 2012	Ranking seriousness of types of cheating

Numerous studies on academic dishonesty have been published over the past two decades that have examined various disparate elements of the "Theory of Academic Dishonesty". The findings of those studies have been mapped over the elements of the proposed theoretical model, the Triangle of Academic Dishonesty, in Table 1.

CONCLUSIONS AND RECOMMENDATIONS

Regarding the limitations of extant research, results from most studies on academic dishonesty rely on self-reporting data, and therefore are likely to understate the problem. Numerous empirical studies have examined a variety of factors relating to cheating (moral capability, demographics, environmental factors, etc.), yet each has included only a limited number of factors, without a cogent theoretical framework to explain their interactions. Most studies to date have tested linear relationships between constructs rather than the construct validity of a model using appropriate statistical techniques.

The proposed theoretical model for further research on academic dishonesty provides a framework to examine the interactions among and between various elements of cheating. For example, does faculty propensity for reporting cheating predict a student's intention to act by lowering expectations about the probability of getting caught, or by influencing the ability to rationalize the behavior based on the perceived seriousness of the infraction, or both? Do students who cheat on quizzes already have financial/social/time pressures or does their ethical sensitivity more accurately predict their likelihood to commit a "minor infraction" leading to a more serious infraction, e.g. cheating on a major exam or assignment? Given a particular mix of anti-cheating interventions, which is most efficacious, and in what institutional environments? What role do various demographics play in influencing the ability to justify cheating? How does the ability to justify cheating develop? What are the most important components of attitude relative to cheating? These insights into how students decide to cheat, and what determines their attitudes about cheating would provide much needed guidance in higher education for supporting the moral and ethical development of our students. Utilizing the Triangle of Academic Dishonesty would make it possible to overcome limitations in extant literature on the subject by utilizing appropriate multi-variable modeling techniques with factors that have been heretofore identified as having a correlation with cheating behaviors.

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Teaching & Learning

OPEN MIKE II: A FORUM FOR IDEAS, CONCERNS, QUESTIONS ABOUT TEACHING

James Weber[1]
Robbin Derry

Keywords: teaching; student learning; classroom innovative techniques

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INTRODUCTIONS AND AREAS OF INTEREST

Sara Jane McCaffrey: When I take a position on a social issue, I am occasionally criticized by students for being biased. I would love to hear others' suggestions on how to address this issue.

Anthony Grace: I am a new PhD and primarily teaching online. I am interested in teaching ideas in this area.

Colin Higgins: My teaching is in our MBA programs, and I am facing challenges with how to generate discussions online with cloud students.

Ken Butcher: I teach in the areas of Sport Management, Strategy, and Marketing with an emphasis on sustainability. I need to learn how to deliver more content with fewer resources.

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Jeff Thompson: I am a new Department chair and am losing the assignment of teaching my favorite class.

Burcin Hatipoglu: I teach a course in Sustainable Human Resource Management in Turkey.

Craig VanSandt: I am at the University of Northern Iowa and teach undergraduates.

Derick de Jongh: I am from Pretoria, South Africa and direct the PhD program there. My teaching focuses on responsible leadership and integrated reporting.

THE DISCUSSION

How do we deal with our own biases or the student perceptions of our bias in the classroom?

Craig VanSandt led off by sharing that he tries to disagree with all students to increase the level of controversy over the term. Craig advised that he lets students know that he is taking this approach, so they are aware of what he is doing.

Jim Weber asked: How do you get students to hold off attacking other students?

Colin Higgins said he attempts to create the condition in the classroom for people to learn how to challenge safely. He suggested using explicitly controversial topics to help student learn how to engage and give people roles and ask them to represent and articulate different perspectives.

Jim Weber shared his example of getting aggressive and loud to challenge assumptions or opinions to get people to defend their views and support their beliefs, especially with undergraduates.

Jeff Thompson provided the group with his favorite gimmick: "Impromptu Dilemma." He warned that it does help to have the aid of an experienced teaching assistant. Jeff sends an email and asks students to respond promptly to a short dilemma. In class he shares the collective student responses. Jeff uses this activity at least once a week. You can contact Jeff Thompson at BYU for website link for his details for the Impromptu Dilemma.

The conversation turned toward the basic philosophical approach to teaching.

Derick de Jongh said that online polling in class works well for him. It is captivating for students. But, he warned that there is a crucial difference between undergraduates and graduate students – they have very different perspectives. He shared his acronym: L= P + Q. Meaning Learning = Programs + Critical Questioning. One of his key goals is to enable students to co-create learning. He explained that it is useful to problematize the curriculum and then negotiate what is included. "We use as much time as possible for critical questioning and let the students do the programmed stuff independently," clarified Derick.

Jim Weber told of his opening case in his ethics class: "selling African blood in the US" in the Parboteeah and Cullen Business Ethics textbook. He said it helps students realize they need tools to address complex ethical issues.

This led to a discussion about how to motivate students, especially to speak up in class.

Sara Jane McCaffrey highlighted the challenges of deciding what level to target in teaching - the students who read a lot, or those who do not.

Ken Butcher offered ideas of giving incentives to students to promote reading.

Sara Jane McCaffrey agreed with this approach and said that cold calling has been very successful for her.

Jeff Thompson said that he encouraged students to participate by explaining that they need to have an ethical voice.

Jim Weber provided the teaching experience of measuring students' participation in class by keeping track after each class of students' participation. Then, he asks students to grade their participation and compares his assessment with students' own perceptions of their participation.

Jeff Thompson described a method of participation assessment in which he asks students for information on what they learned, and who they learned from over the term.

The use of technology entered the conversation at this point.

Anthony Grace shared his own law school experience where there was a big lecture hall with lots of cold calling versus his current online class where everyone is connected by audio (not video) in real time. It is difficult to bridge the learning from our own experiences in classrooms as students, to our contemporary teaching experiences.

Colin Higgins suggested that teachers could use Facebook for independent out of class comments. The group seemed to agree that it was good to use the technologies students are most familiar with.

Jim Weber then offered the example of using games, or active learning exercises, in class to get students competitive and participating.

Robbin Derry said in large classes where there is not time for everyone to speak up, she enables students to share their ideas with her via email, in order to share their learning from class.

A number of additional questions were posed and topics raised toward the end of the session.

Ken Butcher asked: Do we have strategic learners or deep learners? We pondered this question, but there were few direct answers shared.

Burcin Hatipoglu said one of her challenges was to teach courses in English but it was the second language of her students, so communication was extra difficult for all of them.

Jim Weber, Sara Jane McCaffrey, Jeff Thompson, Colin Higgins shared numerous techniques to solicit student feedback and constructive suggestions on improving their courses, including the use of midterm evaluations to get honest student feedback, and requiring students to complete midterm and final peer reviews of each other in class.

CONFERENCE CHAIR REMARKS

Colin Higgins, Conference Chair for IABS 2014

For the first time in IABS' 25-year history, we took the conference down under! The 2014 conference, held in Sydney Australia, from June 19-22 was a bumper conference in so many ways. It was a thrill for me to welcome 165 attendees from 15 countries spread across five continents of the globe. It was even more of a thrill to welcome 81 new folks to IABS – nearly half of all those attending. The future of IABS rests on attracting new members, raising our awareness and profile amongst scholars in different parts of the globe, and working hard to ensure we live up to the 'I' in IABS. Despite so many new folks joining us, it is wonderful that the welcoming, informal, and friendly nature of IABS continued to shine through; many people came up to me and commented on how welcoming IABS is.

IABS 2014 kicked off on Thursday morning with a doctoral consortium, one of the first times we've allocated dedicated time for PhD students to work in a focused way with experienced scholars in the field. A huge thanks to Michelle Greenwood (Monash University, Australia), Linh Nguyen (University of Sydney), and Ed Freeman (Darden) who coordinated the 17 mentors and the 22 doctoral students. The consortium got underway with an ice-breaker, where each participant had to solve problems together to find their way around downtown Sydney. Following lunch, the work started, with sessions around research themes, research methods and methodologies, and skills based sessions on working with your supervisor, building relationships with journals, and finding and working with co-authors.

The IABS Board also met on Thursday morning, and after the hard work of pre-conference activities we headed way up about Sydney to sip cocktails and enjoy fine food at the Sydney Tower. I was delighted that Elder Aunty Eli Golding, an indigenous Biriipi women who grew up on the Taree Mission in New South Wales, agreed to perform a 'Welcome to Country' ceremony, an important service to welcome delegates to Australia and to the land on which we were meeting. It was a very moving welcome and represents an important component of our IABS meetings: connecting with the community.

The conference proper got underway at the University of New South Wales' (UNSW) city campus on Friday morning, where over 130 paper presentations, workshop sessions, symposia and innovative sessions got underway. For me, one of the highlights was the new workshops organised by the incoming editorial team for *Business & Society;* IABS can be a place for early work to develop in to a contribution to our journal. Kathy Rehbein once again organised a manuscript development workshop that continues to further this important work. Perhaps reflecting its location in Australia – where sustainability is much more part of the business lexicon than CSR – many sessions focused on business and sustainability issues. With IABS having been most strongly aligned with the SIM division, and issues of sustainability perhaps being more part of ONE, it was great to bring these two areas together in such a substantial way at the Sydney conference.

At our Business Meeting on Friday evening, we were delighted to award the following research awards:

- 2014 Deakin University (CSaRO) Prize for Best Conference Paper:
  Andrew Crane & Sarah Glozer. Researching CSR communication: Themes, opportunities and challenges

- Best Article published in 2012:
  Joshua E. Perry. 2012. Physician-owned specialty hospitals and the Patient Protection and Affordable Care Act: Health care reform at the intersection of law and ethics. *American Business Law Journal*, 49: 369-417.

No IABS conference is complete without the social activities! Not to be confused with frivolity, the social activities are an important way in which we build relationships across the scholarly community, continue our conversations in a relaxed way, and to get to know each other a little better. Saturday afternoon saw Robbin Derry, Heather Elms, Miguel Oyarbide, Soraya Dean and Matthew Anderson head out surfing at Bondi – you can't get a much more quintessentially Sydney experience than that! Despite its being Winter, Sydney turned on a fantastic Saturday afternoon! Others took to the shoreline and walked around the Sydney heads, exploring early indigenous lands, colonial war sites and stunning coastal scenery. (I even heard that a dolphin or two were spotted from the Ferry.) A small group went to explore Sydney's public art and cutting edge city architecture.

Saturday night saw us board the Ferry for the Zoo. And Sydney didn't disappoint: a stunning floodlit Harbour Bridge and Opera house almost serenaded up as we headed across the harbour, before boarding cable cars to the Banquet room. I chose the Taronga Zoo for the banquet because of its dedication to sustainability, conservation and pro-active stance towards business/community partnerships. Introducing us to a lizard, snake and echidna, Taronga Zoo CEO Cameron Kerr talked about the importance of Zoos and other not-for-profits working with business to raise awareness and to educate the community – music to our ears! Dean of the Deakin Business School, Prof Mike Ewing shared his views about striving for balance in everything we do.

I was so thrilled to host everyone in Sydney. IABS has been an important part of my scholarly career, and it was an honour for me to put on this year's conference. Thanks also to our three sponsors: The Centre for Sustainable and Responsible Organisations (CSaRO) at Deakin University, Australia; The Asia-Pacific Centre for Sustainable Enterprise at Griffith University, Australia; the Australian Centre for Corporate Social Responsibility, and Brigham Young University, USA – the support of these organisations enabled me to 'put the icing on the cake' this year. Of course, such a big conference is also not possible without all the helpers who inevitably pick up the slack and help with so many jobs: the ever-present and ever-helpful Kim Rodela; Melissa Baucus and her abilities with a spreadsheet, especially the conference submissions spreadsheet; and the more than 150 folks who stepped up to undertake the reviews!

Thanks for coming!

Colin Higgins, 2014 IABS Conference Chair

2014 CONFERENCE PROGRAM

Friday, June 20

Authors/Presenters	Title
Gordon Rands, Pamela Rands & Cody Christopherson	Whose Responsibility is it to Address Social Problems Anyway? Assessing Perceived Importance of Institutions' Responsibilities for Addressing Social Issues
Mariam Farooq & Omer Farooq	Corporate Social Responsibility and Organizational Identification: Exploring a bi-directional relationship between CSR and employees
Karen Maas	Sustainability Targets in Executive Remuneration: Targets, Time Frame & Country Specifications
Thomas Maak & Francisco Morato	Reclaiming Agency: Agency as Social Construction. A Sensemaking Perspective
Nava Subramaniam, Monika Kansal & Shekar Babu	Public Sector Undertakings and CSR in Indian Firms: Understanding Corporate Governance and Assurance Quality
Linh Nguyen, Betina Szkudlarek & Richard Seymour	Social Impact Measurement: An Embeddedness Perspective on the Vietnamese Social Enterprises
Sanjukta Kaul, Manjit Sandhu & Quamrul Alam	From Merchant Charity to Mainstream Integration: Strategic intent of business engagement with disability: Empirical evidence from India
Erin Castellas & Wendy Stubbs	How Hybrid Organizations are Creating Multiple Forms of Value: Examining the Practices of Australian Hybrid Businesses in Hybrid Value Creation
Mark Starik & Suzanne Benn	Integrating Socio-economic and Environmental Sustainability Models: Further Development and Evolutionary Alternatives
Frederik Dahlmann	Evolutionary Systems Theory of Corporate Sustainable Strategy
Layla Branicki & Stephen Brammer	Bridging Sustainability and Business Continuity: Recognizing and Reconciling Tensions between Organisational Resilience and the Environmental, Economic, Social Dimensions of Sustainability
Andrew Crane; Bryan Husted; Hari Bapuji	Income Inequality Workshop
Natalya Turkina, Ben Neville & Sara Bice	Rediscovering Divergence in Comparative CSR: Evidence from Diamond Mining in Australia, Botswana & Russia
Patcharaporn Bunlueng, Ken Butcher & Liz Fredline	Local Communities' Perceptions of Hotel Activities in Corporate Social Responsibility
Michael Erdiaw-Kwasie	Assessing Community Empowerment and Engagement towards 'Better' Corporate Social Responsibility: A case of Surat Basin mining communities in Australia
Warren Staples & Xueli Huang	Community engagement practices and benefits in a Chinese-owned Australian mining company
Youqing Fan & Peter Hofman	The Role of the State and Union in Shaping Corporate Social Responsibility Accreditation in China's Private Firms: An organizational legitimacy perspective
Anne Barraquier	Serve the People, Catch Mice or Get Rich? Shift in Ethical Paradigms in China
Xuanwei Cao & Yangxiaoxiao Deng	The Influence of Chinese Harmonious Culture on CSR Practices to Employees
Rui Yang	Undiscovered Driving Force Behind MNEs' CCI in China
Malcolm McIntosh, Sandra Waddock, Ed Freeman, Chellie Spiller & Edwina Pio	Evolution, Shamans, and Adaptation: What Is/Could Be the Role of Academics in System Change?
Mary Connerley	The Antecedents and Outcomes of EEOC Litigation: Beyond the Statistics
Geoffrey Edwards	Reasserting Society's Control over Corporations Through Tenure
Thomas Andre	Sustaining Base of the Pyramid Strategies within Multinational Enterprises: a Corporate and Field Levels Multiple-Case Study
Joachim Timlon	Strategic Responses as Matching Strategies in Transition Economies: Strategic Choices and Actions that Follow the Logic of Appropriateness

Authors/Presenters	Title
Bradley Agle	Religion and Business: Strengthening Both Society and Business Through Utilization of Religious Principles in Business
Jared Peifer	Religious Moral Authority & the Financial Market in the 20th Century America: Privatization, Deprivatization or Co-optation
Maurice Murphy & Jason MacDonald	Religious Salience and Attitudes Towards CSR in Saudi Arabia
Heather Stewart & Rod Gapp	Exploring small to medium enterprise innovations through continual and collaborative learning of sustainable management practices
Janet Palmer & Anthony Grace	The Homogeneity of Society: The Role of Franchising
Melissa Baucus	Shortcut to Success: How Ponzi Entrepreneurs Establish & Grow Ventures Quickly
Sara Walton & Brendan Gray	Shifting Realities: Entrepreneurship, Social Enterprise and 'Work' in Samoa
Duane Windsor	Corporate Social Responsibility: Defining the Societal Dimension
Karl Pajo, Tracey Caldwell, Louise Lee & Adele Peden	The Impact of Social and Contextual Attributes of a Volunteering Activity on Employee Outcomes: A Pilot Study
Elena Goryunova	Understanding the Value Conflict Between B&S: The Perspectives from New Sciences of Complexity and Moral Neuroscience
Sara Morris & Barbara Bartkus	Corporate Political Activity and Workforce Cutbacks
Lori Verstegen Ryan	Crowdfunding: Boon or Bane for U.S. Investors?
Todd Moss, Moriah Meyskens & Maija Renko-Dolan	African Microfinance: Creating a More Secure Environment for Business & Society
Nicola Pless, Matthew Murphy, Thomas Maak & Silke Eisenbeiss	Leadership for Social Innovation: The Role of Care and Compassion
Rumina Dhalla	Exploring Multi-Stakeholder Collaborative Models: Implications for Sustainability
Michael Hadani & Nicolas Dahan	Corporate Political Activity: A Global Review and Research Agenda
Stephanos Anastasiadis	Through a Mask Darkly: Political Culture and Responsible Lobbying in the Case of European Union Policymaking on Carbon Emissions from Cars
Sean Lux, Richard Gentry, T. Russell Crook & James Combs	How Family Involvement Affect Corporate Political Activity?
Burcin Hatipoglu	Sustainability Management: A New Career Path?
Susan Mate	How do Professionals Develop an Understanding of Corporate Citizenship and Cosmopolitanism?
Linda Sama & Mitch Casselman	Ethical Foresight in Business: Interpreting Societal Cues for Better Ethical Management
Franky De Cooman, Nikolay Dentchev & Jan Jonker	Leaders' Confrontations: The Cobble Stones in the CSR Implementation Process
Kathleen Rehbein; Duane Windsor; Jim Weber	The Second IABS Manuscript Development Workshop
S. Prakash Sethi John Mahon Christian Barry Nicole Bryan	The Unending Vicious Circle Between MNC Profits and Abusive Working Conditions and Wages for the Workers in Developing Countries--the Case of Wal-Mart
Jeffrey Gale, Max Lebovitz, Richard Lim, Michelle Monsanto, Steven Stergar, David Swiatkowski, Silvia Themudo, Phiet Tran, Jason Williams	Drivers and Barriers to Sustainable Commercial Real Estate Development in Major Cities in Southeast Asia and California
Eva Tsahuridu	Professions, the Public Interest and Stakeholders
Judith McNeill & Jeremy Williams	Calculus or conscience? A critique of the ethics of cost-benefit analysis applied to climate change
W. Noraini Mansor, Steven Grover & Paula O'Kane	Voices of the Neglected Society: Do They Need to Be Entertained or Ignored?
Andy Crane	Duane Windsor and Bryan Husted - Business & Society Heather Elms - Business Ethics Quarterly Sandra Waddock - Journal of Corporate Citizenship Mark Starik - Organization & Environment Suresh Cuganesan - Accounting, Auditing and Accountability Journal Michelle Greenwood – Journal of Business Ethics
Jim Weber, Anke Arnaud, Craig VanSandt & Satish Deshpande	Victor and Cullen's Ethical Work Climate Construct Revisited: Emerging Themes and Research Questions

Authors/Presenters	Title
Mitchell van Balen, Elvira Haezendonck & Nikolay Dentchev	The Influence of Institutional Context and Industry on How Social Responsibility is Organized: A Portfolio Analysis
An Hutjens, Nikolay Dentchev & Elvira Haezendonck	CSR Implementation in Belgium: Institutional Context, Stakeholder Involvement & the Impact of CSR Managers
Mike Valente	Regime Management Strategies for Systems Level Agency: Implications for Business' Role in Society
Pushpika Vishwanathan	Theoretically Meaningful but Economically Unsustainable: The Case of Political CSR
Rosemary Sainty	The Active Engagement of Boards of Directors in Corporate Responsibility and Sustainability: Towards New Models of Corporate Governance
Kathleen Rehbein, Stefan Hoejmose & Johanne Grosvold	Governance and Assurance Quality
John Holcomb	Corporate Governance: The Roles and Importance of Board Committees on Legal Compliance and Ethics
Gwenael Roudaut	How is Stakeholder Board Composition related with CSR Firm Performances?
Matthew Anderson	In and Against the Market: Resituating Fairtrade in Society
Daraneekorn Supanti, Ken Butcher & Liz Fredline	Corporate Social Responsibility (CSR) Motivation: an Exploratory Study of the Thai Hotel Industry
Roksolana Suchowerska	The Social Implications of Creating Consumers Through Corporate Social Responsibility Initiatives: A Conceptual Approach
Sara Walton, Paula O'Kane, Diane Ruwhiu & Virginia Cathro	Rethinking Businesses to 2030: Scenarios & Visioning Futures
Lisa DeAngelis	Creating a Global Community: Facilitating Discourse Among Engaged Stakeholders
Brad Sayer	Stakeholder management: what are the limitations of monadic, dyadic and triadic approaches?
Robert Mitchell, Ben Wooliscroft & James Higham	Investigating the Place of Stakeholder Relationship Management within an Institutional Sustainability Orientation
Rashedur Chowdhury, R. Edward Freeman & Saras Sarasvathy	Toward a Theory of Stakeholder-Centric Entrepreneurship

Saturday, June 21, 2014

Authors/Presenters	Title
Phil Cochran, John Mahon, Jeanne Logsdon, Jim Weber, Duane Windsor, Lori Verstegen Ryan, Gordon Rands & Melissa Baucus	A Symposium on the Evolution of a Professional Association: IABS as a Case Study
Harshakumari Sarvaiya & Gabriel Eweje	CSR for HR: Embedding CSR in Workplace Practices
Michelle Greenwood & Christian Voegtlin	(CSR+HRM=IR2) Solve for IR
Kimberly Merriman, Sagnika Sen, Andrew Felo & Barrie Litzky	Engaging Employees in Environmental Sustainability: Financial Framing Matters
Cedric Dawkins & Dionne Pohler	An Unlikely Harbinger? The Impact of Favorable Labor Relations on Corporate Social Responsibility
Javier Delgado-Ceballos, Ivan Montiel & Raquel Antolin-Lopez	What Falls Under the Corporate Sustainability Umbrella? The Research Questions We Ask
Tim Keane	The Sustainability ROI
Anne Norheim-Hansen	Large Environmental Reputation Asymmetry, R&D Alliance Sustainability, and the Moderating Role of the Lower-Reputation Firm's Framing of Environmental Issues
Sara Jane McCaffrey	Family Firms, Inter-Generational Management, and Sustainability Strategies
Tyron Love	Corporate Philanthropy Research: On the Value of the Recipient Actor and Narrative Analysis

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Marco Minciullo	Coordination and Control Mechanism between Corporate Foundations and Founder Firms in Europe
Mike Adams, Stefan Hoejmose & Zafeira Kastriniki	Corporate Social Responsibility & Strategic Risk Management: An Empirical Investigation of Reinsurance & Philanthropy?
Pushpika Vishwanathan	Governance Without Ownership: A Qualitative Study of the Corporate Governance Challenges of Philanthropies
Frederik Dahlmann & Stephen Brammer	Disclosure and Organisational Learning in the Context of Environmental Performance
Andrew Crane & Sarah Glozer	Researching CSR Communication: Themes, Opportunities & Challenges
Gerald McLaughlin & Josetta McLaughlin	Transparency, Accountability, Information Symmetry & Integrity: Creating Guiding Principles for US Institutional Ratings & Rankings
Lucien Dhooge	The First Amendment and Disclosure Regulations: Compelled Speech or Corporate Opportunism?
Elizabeth Branigan & Michael Moran	Management Innovation in Third Sector INGOs: The possibilities and challenges of being 'business-like' and socially responsible
Louise Lee & Karl Pajo	Speed Dating: An Effective Tool for Initiating Business Community Collaboration?
Jim Weber & Robbin Derry	Open Mike II: A Forum for Ideas, Concerns, Questions about Teaching
Ahmed Ferdous & Michael Polonsky	Developing Social Businesses in Developed Countries: A Stakeholder Perspective
Wendy Stubbs	Exploration of an Emerging Sustainable Business Model: The B Corp Model
Sophie Clark, Megan Woods & David Adams	Balancing Social and Commercial Objectives Within Business Organizations -- What Can We Learn from Social Enterprise?
Krista Lewellyn	Two Purposes are Better than One: Ambidextrous Pursuit of Economic Advantage and Resilient Social Benefits
Cristina Neesham	The role of business in meeting human needs: Applying radical social philosophies
Sridevi Shivarajan	Using the Aristotelian Approach to Make a Case for Corporate Citizenship
Shawn Berman & Harry Van Buren III	Mary Parker Follett and the Abdication of Managerial Responsibilities
Matthew Wallis	Reclaiming the Individual Embedded in Society: The Contribution of Ethnography to Fundamental Questions of Corporate Social Responsibility
Gabriel Eweje, Nitha Palakshappa & Harsha Sarvaiya	Corporate Irresponsibility: Is This Still Happening?
Richard McGowan & John Mahon	Tale of Two Sins: Gambling, Tobacco and the Ethics of Disgust
Bruce Klaw & Tricia Olsen	Do Investors Care about Corporate Wrongdoing? An Empirical Study into the Materiality of Revelations of Corporate Malfeasance
Giulio Nardella & Stephen Brammer	Very Bad Things, or Business as Usual? Unpacking the Reputational Consequences of Corporate Irresponsibility
Sarah Cobourn, Thomas Clarke & Stephen Frawley	Creating Shared Value in Professional Sport: An International Investigation of Corporate Social Responsibility
Ben Neville, Chris Dembek, Grace McQuilten & Anthony White	Creating 'Win-Win-Wins': Insights from Arts-Based Social Enterprises Using a Complexity Theory Lens
Stephanos Anastasiadis	The Political Role of Sporting Governing Bodies: The Case of London 2012 Olympic Sustainability
Ivan Montiel, Petra Christmann, & Trevor Zink	How Private Regulatory Complexity Affects the Adoption of Food Safety Standards: Lessons from an Emerging Economy
Rich Wokutch & Danylle Kunkel	The Challenges and Opportunities of an Integrative Approach to Teaching Business Ethics
Tara Ceranic, Rosina Mladenovic, Angus Duff, Catharyn Baird & Jessica Warnell	Towards an Understanding of Business Students' Ethical Perspectives: Implications for Moral Awareness, Moral Reasoning and Moral Decision Making
Deborah Kidder	Working Together is in the Best Interests of Society: Teaching Restorative Justice Skills to Business Students
David Cray, Robert Mittelman & Ruth McKay	Teaching Management in Iran: Who Changes Whom?

Sunday, June 22, 2014

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Melissa Edwards & Suzanne Benn	Circular & Collaborative Economies: Redefining Value Flows and the Role and Function of Stakeholders
Brad Sayer	Stakeholder management: factors and conditions that can lead a firm's managers to deviate from a strategic approach
Michelle Westermann-Behaylo, Harry Van Buren & Shawn Berman	Stakeholder Capabilities Enhancement as a Path to Value Creation and Competitive Advantage
Dina Abdelzaher, Whitney Douglas-Fernandez & William Schneper	Institutional & Social-Structural Drivers of Corporate Social Responsibility: The Uneven Spread of United Nations Global Compact
Peter Gallo & Ivan Montiel	Incorporating Corporate Sustainability in Management Curricula: Incremental and Transformative Approaches to the Case Method
Nick Barter	The Environment & Textbooks: Are They Enabling Corporate Strategists to Realize Sustainable Outcomes?
Patsy Lewellyn & Linda Rodriguez	Academic Dishonesty Meets Fraud Theory: A Marriage of Convenience
Ambika Zutshi & Andrew Creed	Motivation for Implementing Environmental Initiatives and Signing Talloires Declaration in the Australian Higher Education Sector
Deborah Pavelka, Josetta McLaughlin & Gerald McLaughlin	Sarbanes-Oxley Act of 2002: Outcomes, Impacts, and Influences
Prakash Sethi	Patterns of CSR-S Reporting by Large Corporations Around the World: An analytical system to evaluate and critique the quality of corporate CSR-S reports from Asia, Europe, North America, and Australia-New Zealand
Daniel Nyberg & John Murray	Corporate Citizens in the Public Spheres: A Policy Contest Through Mass Media
Lori Verstegen Ryan	Corporate Governance Research Workshop X
John Holcomb, Lucien Dhooge, Anne Barraquier & Bruce Klaw	Globalizing the Business & Society Curriculum: Integrating Ethics, Law & Public Policy
John Mahon, Wayne Burns, Phil Harris, Richard McGowan & Henry Sun	Occupy the World: The Changing Social License to Operate
Melissa Edwards & Adam Sulkowski	Shake Your Stakeholder: Stewardship Through Integrative and Contemplative Spaces
Mary Bonich, Louise Metcalf & Julia Irwin	Can Organisations Pave the Way for Sustainability in Communities?
Julia Patrizia Rotter	Exploring the Link Between Corporate Social Responsibility and Public Health: A Swedish Food Retail Perspective
Robert Boutilier	The Social Licence to Operate From the Company Department to the Whole Private Sector
Preeda Srinareuwan, Colin Higgins & Wayne Binney	Consumer Reactions to Corporate Social Responsibility (CSR) in Thailand: The Moderating Effect of Competitive Positioning
Stephen Pavelin, Elise Perrault, Ioannis Oikonomou	When does it pay to be good? Estimating the dynamics of the financial returns of corporate social performance
Naomi Gardberg, Stelios Zyglidopoulos & Pavlos Symeou	Corporate Social Performance and Corporate Financial Performance: The Mediating and Moderating Effects of Corporate Reputation
Lori Verstegen Ryan	Corporate Governance Research Workshop X (continued)
Helene de Burgh-Woodman & Amitav Saha	The Role of Business Education in Building Business Leadership for 21st Century Responsiveness and Environmental Stewardship: Should Business Education be Re-Developed?
Jose Alcaraz-Barriga, Katerina Nicolopoulou & Anne Schwenkenbecher	Reclaiming Cosmopolitanism: Business, Society and the "Citizenship of Strangers"

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Representative-at-Large (2011-2014) – Heather Elms, American University, USA
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