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The IABS 2015 Proceedings contains 19 papers and other materials that were presented at the Twenty-Sixth Annual Conference of the International Association for Business and Society, held in Guanacaste, Costa Rica, March 12-15, 2015.

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 **Pura Vida: Realizing Eudemonia in Business and Society** are indicated as such on the first page of each article.

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Business Ethics &
Ethical Leadership

The Case for Complementarity in CSR: Business and Society on a Neo-Freudian Couch

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Abstract: In this paper we bring a psychiatrist's expertise – specifically using the concept of complementarity – to bear on the many seemingly irreconcilable contentious issues in the Business and Society field. Such issues are prevalent at all levels of inquiry and study in the managerial domain: for individual managers, for firms, for entire industries, and even for the capitalistic system itself. They are prevalent also for scholars in the related fields of corporate social responsibility and business ethics. An appreciation for complementarity in the study of managerial decision-making -- and here we use the word to mean the existence of two (or more) ways of perceiving a particular set of circumstances, both of which are valid, both of which are legitimate – leads to a richer and more complete under-standing of the problems facing managers and scholars. It results in less confrontation and better decision-making.

Keywords: CSR; Neo-Freudian

COMPLEMENTARITY

The word "complementarity" is not new to the field of business. It is used in the strategy discipline especially (see for example Zhu, K, 2004, and Chatterjee, Cooper, and Ravikumar, 1993) as a synonym for synergy. A firm considering merging with or acquiring another firm in the same industry might well ask if the assets, the skills, and the market positions of the two firms complement each other well. Or, switching from a horizontal to a vertical perspective, a firm seeking to form an alliance with a key supplier might properly be concerned how much complementarity or synergy exists between the two firms.

Here, however, we use the word "complementarity" to mean something quite different, almost the opposite of the meaning above. Here, the word refers to situations where there are two or more ways of perceiving those situations, quite different ways, both of which are valid, both of which are legitimate. Lewis (2000) tells us that "Philosophers from the ancient Greeks to Existentialists have viewed human existence as [complementary] – grounded in tensions between life and death, good and evil, self and other," and here she references Hampden-Turner (1981) and Schneider (1990).

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The familiar Taoist Yin-Yang symbol is yet another way to describe complementarity: a natural wholeness composed of contradictions (Lewis, 2000:762).

It seems that these tensions, an integral part of complementarity, are an innate, inescapable part of each of us as individuals. Phillip Lopate (2013) cites Montaigne, "the fountainhead of the modern essay," who wrote, "All contradictions may be found in me by some twist and in some fashion. Bashful, insolent, clever, stupid, chaste, lascivious, talkative, taciturn…, and whoever studies himself really attentively finds in himself…this discord." And not just in us as individuals but in the natural order of the cosmos. Looking beyond our selves we find that complementarity is to be found in all fields of study. Some examples should be helpful.

In Physics

Gerald Holton (1988) postulates that William James's (psychological) writings were instrumental in Niels Bohr's development of complementarity theory in physics. Particularly important was James's description of dissociative splitting and the resulting dualistic experience of reality (in *The Principles of Psychology,* 1890). In his highly influential 1927 address (Como, Italy) on the dilemma in physics presented by the Quantum Theory, Bohr proposed the use of the mind's splitting capacity for managing "contrary themata inherited from the 'classical' period (before 1900) and from the quantum period (after 1900)." (Holton, 1970). Here is part of what Bohr would have read in James:

"It must be admitted, therefore, that in certain persons, at least, the total possible consciousness may be split into parts which coexist but mutually ignore each other, and share the objects of knowledge between them. More remarkable still, they are *complementary*. Give an object to one of the consciousnesses, and by that fact you remove it from the other or others…" (James, 1890, p. 206).

Bohr in 1927 (see Holton, 1970) generalized this description into what he considered the mind's normal splitting of attention. He would eventually extend its range of application far beyond physics to biology, psychology, ethics, etc. He repeatedly reminded his students and colleagues of "the epistemological lesson which quantum mechanics has taught us." Bohr saw profound thinking as fundamentally dialectical. He repeatedly told stories that illustrated the idea:

His summer neighbor was entertaining friends at his cottage. One guest remarked that he had noticed a horseshoe over the front door as he came in. He asked, "You don't believe, do you, that it will bring you good luck!?" His neighbor answered, "Of course not. I consider myself an intelligent man. (He paused.) But people tell me it works even if you don't believe in it."

Bohr said, clearly and forcefully, we *combine* apparently contradictory notions to produce the most complete picture possible. As a comprehensive scientific domain, physics relies on both classical Newtonian theory and post-1900 quantum theory, the two not compatible, not reconcilable, and *complementary*. Complementarity as a principle in scientific investigation in physics was essential. Each

theoretical perspective, each instrument employed (e.g., prism and photometer applied to light), needed to be superimposed to adequately describe any physical phenomenon.

In Biology

In biology, "scientific" observation often begins with observing a phenomenon that is goal-oriented — like a plant's turning its leaves to the light. Aristotle's physics depended on teleologic thinking but physics today rejects teleology. Biology, however, persists in needing teleologic thinking -- e.g. sweating cools the body during exercise; increased r.b.c. production at higher altitude or after blood loss aims at regaining equilibrium. Tinbergen (1951) wrote, "The adaptiveness or directiveness of many life processes is a matter of fact and *can be revealed by objective study*; however (simply describing) life processes is not a solution of the problem of their causation. Once the survival value of a process has been recognized ... the biologist's next task is to find out how its mechanism works." Teleology gave life to the science of *biology* (and *psychology*), adding observable purposiveness in life processes to the investigation of mechanistic, deterministic causes. Causal and teleologic thinking are complementary necessities.

In Theology

It is not only in the "hard" sciences that we find the concept of complementarity to be useful to our understanding. Consider also the field of theology, and let us highlight just two passages from *The Bible*. The first is the Old Testament story of Job, that good man who had led an exemplary life, and yet God causes him to suffer all manner of plagues, hardships, and tragic sorrows. Why? Why? Job quite understandably asks. And God responds, "Where wast thou when I laid the foundations of the earth? Declare if thou hast understanding." (The Bible, King James version. Job 38:4). God's response was unintelligible to Job, just as it is to many of us some 4000 years later. It is not enough that the story ends on a happy note. People today of every faith expect their God to be just, as did Job, and we are unable to square God's treatment of Job with any sense of justice or fairness as we humans perceive them. Perhaps that is the point: that we cannot comprehend God's purposes – a clear example of complementarity.

Sticking with the Bible but skipping ahead some 2000 years to the Gospel according to Matthew we read the parable of the landowner who in the early morning hires laborers to go into his fields to pick the grapes. At mid-morning, at noon, and as late as early evening he hires more laborers and sends them also into his fields to work. But at the end of the day when the time comes to pay his workers, the land owner pays them all the same amount, regardless of the fact that some had worked only one hour and others had "borne the burden of the day and the scorching heat." Now here is a tale to confound not just first century grape pickers but business managers and ethicists of the twenty-first century as well. Again, we seek to find justice or fairness in this arrangement but to no avail. Was it wrong for the laborers hired in the early morning to expect to be paid more than those who worked only an hour? Not at all. Nor are we ready to criticize the landowner who chooses to be generous. As long as he pays the first laborers what he had promised, does he not have the right to pay the late-comers as much if he chooses to do so? Once again we are left with a mysterious conclusion: "So the last will be first, and the first will be last." The best we can do is to accept the

concept of complementarity: that God's ways are certainly different and perhaps incomprehensible but unquestionably valid and legitimate.

In Cultural History

In the field of cultural history Frederick Turner (1992), in his classic *Beyond Geography: The Western Spirit Against the Wilderness*, describes the clash between the European, Christian "civilized" explorers/conquerors and the indigenous myth- and nature-loving natives of the New World. Certainly, the "savages" could not begin to comprehend why these newcomers would ignore, or worse yet, attempt to stamp out the wisdom, the practical customs, and the mythology that had served them so well for hundreds or perhaps thousands of years. Equally certain was that the Europeans could never acknowledge anything of value amongst these primitive heathens, uneducated by European standards, except to use them as slave laborers, as guides in the search for gold, and as potential converts, whether pretend or actual, to Christianity. One set of circumstances, but two dramatically different ways of perceiving and interpreting them.

In CSR

As Bohr and Holten suggest, this concept of complementarity exists in <u>all</u> fields. Thus, we should not be surprised to find its presence throughout our related fields of Business and Society, Business Ethics, and Corporate Social Responsibility. And indeed, this duality of perception, this contrasting interpretation of the purpose of the firm and the role of the manager, creates the tension in each of our fields of study. Just what is the proper, or best, or most effective and efficient relationship between business and the greater society of which it is such an essential part? What is the right and just thing for a manager to do when faced with claims from competing stakeholders? To whom and to what is the manager and the firm responsible, and just how far does that responsibility extend?

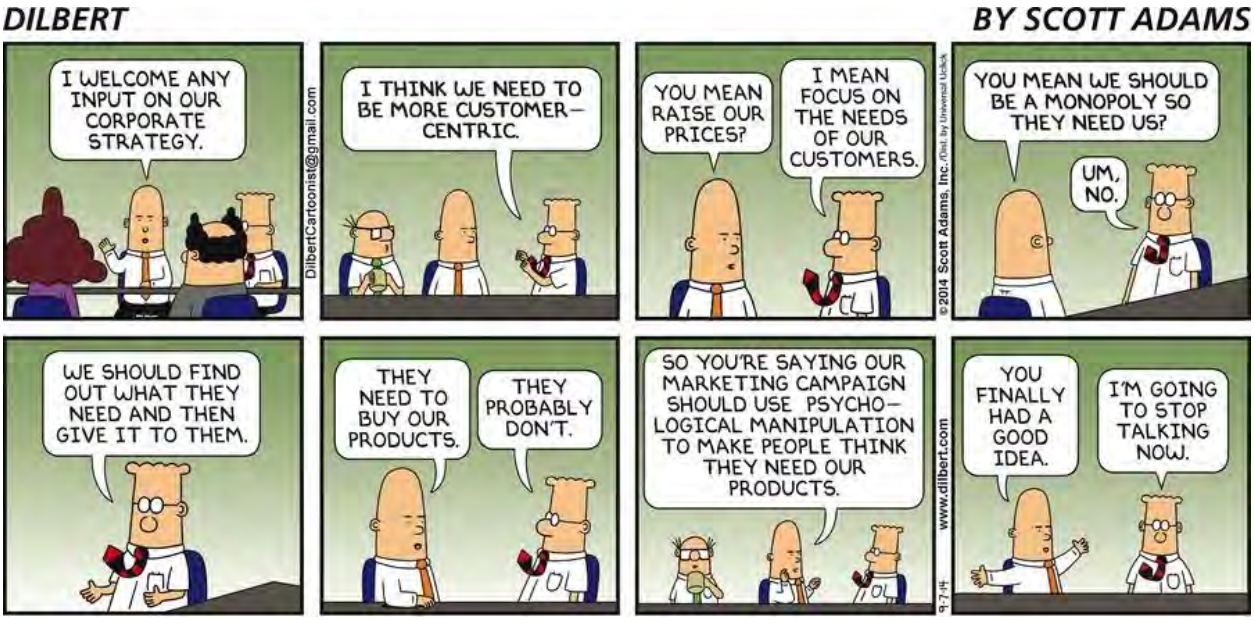
In the business literature there is also a very significant body of work related to the word "paradox," and much of this research and writing is important to the purpose of this paper. However, "paradox" carries with it as one of its meanings an insoluble puzzle. For example: the so-called Liar's Paradox is the simple statement "I am lying," a statement that makes no sense and cannot stand alone. It is, within itself, contradictory. And so we, for the purposes of this paper, are far more comfortable with the term "complementarity," which as explained above signifies a situation where there are two (or more) views of the same set of circumstances. These views, while they are not reconcilable, can nevertheless co-exist; both are legitimate and valid.

Van der Byl and Slawinski (2015) have surveyed the literature on decision-making and have created a typology of four categories of ways to resolve tensions. First, there is the "win-win" approach where tension is avoided by the aligning of goals. The now familiar aphorism – doing well by doing good – is an example. Second, the "trade-off," where the tension is side-stepped by simply choosing one goal rather than the other. A firm might decide, for example, to ignore the low wages and dangerous working conditions for its foreign suppliers' employees in order to insure higher returns for its shareholders. This can be seen as a win-lose resolution. Third is the "integrative" tactic, basically a balancing or compromise resolution, which can be described as a lose-lose outcome. Fourth, the authors highlight what they call a paradox (and we will call a complementary) approach in which the tensions are accepted, explored and embraced rather than resolved. Lewis (2000:761) describes this as the acceptance of "the simultaneity of conflicting truths," and later (2000:769) adds

that managing complementary "tensions denotes not compromise between flexibility and control but awareness of their simultaneity."

COMPLEMENTARITY FOR BUSINESS MANAGERS

Perhaps, we should start in a light-hearted vein.



(Scott Adams, *Dilbert*, September 7, 2014. Reproduced by permission.)

The creator of Dilbert, Scott Adams, albeit with comic-strip exaggeration, gets it just right: two quite different perceptions of the same set of circumstances. As much as we – especially those of us working in the fields of CSR and Business Ethics – may side with Dilbert and deplore his boss's lack of understanding and lack of concern for the company's customers, in psychiatric terms the boss is not really a villain at all. He is expressing and acting on an absolutely normal part of our makeup, and we will return to this point near the end of the paper. This tension or conflict exists at all four of the customary levels of analysis: the individual, the firm, the industry, and the broad social/economic/political system.

The Individual

At the individual level a manager may be forced to decide whether to favor the firm's customers with safer or more efficient products, or favor the firm's shareholders with higher profits. A manager might also be called upon to decide whether to increase the wages of the company's low-level employees above the federal, state, or local minimum requirement which would take profits away from the company's shareholders (think Walmart[2] or McDonalds). Or the manager might

[2] Walmart's announcement in February, 2015, to raise its minimum wage to $10/hour by 2016 is a timely example. However, it is interesting to note that the decision, according to the company's spokespeople, is aimed at reducing

need to decide whether or not to install expensive equipment which would reduce the company's toxic emissions even below the limits required by the Environmental Protection Agency which would help the environment and the surrounding community at the shareholders' expense. These are familiar decisions faced by managers on an almost daily basis in countless businesses throughout the country and around the world. If we set aside the possibility that such actions favoring the customers, the employees, or the environment might also benefit the company strategically or financially (discussed below), then it is clear that the manager is confronted with two quite different and competing perceptions of one set of circumstances, an example of complementarity at the individual level.

The Firm

In some instances it is the firm itself that faces two starkly different "pictures" or perceptions, creating a certain polarity.[3] Enron in the 1990s was so focused on profit growth that the company instituted personnel practices – systematically firing employees whose performance, while positive, did not measure up to their colleagues' achievements to create fear and uncertainty among its employees to achieve greater productivity – practices that for other firms would be considered unfair. Patagonia and the New Belgium Brewing Company routinely choose satisfactory profits over maximal profits, thereby accomplishing philanthropic and environmental objectives at the expense of their shareholders.

The Industry

For several decades following the 1964 Surgeon General's report linking for the first time smoking with lung cancer the tobacco industry – not just individual managers or individual firms, but the entire industry – quite naturally refused to concede that there was such a causal link. While the future of the entire industry was called into question, and therefore, the investments of the millions of shareholders in the individual firms, the industry chose to focus also on the potential harm to thousands of tobacco growers, distributors, and retailers. Here were two quite different ways of analyzing the situation: the lives and health of individual smokers as well as the public health vs. the well-being and livelihoods of the other stakeholders just mentioned. As adamant as each of us might be in favoring one or the other of these positions, both were real, valid, and legitimate.

The System

At the very core of commercial exchange as we know it within a capitalistic system, lies the concept of profit. In its early manifestations – Adam Smith's pin maker exchanging the pins he has made for money not only to cover the cost of manufacturing the pins but enough left over to buy food and other necessities for his family – there was little or no controversy surrounding either the wisdom or the ethics of profit. Profit was a natural, normal, and necessary part of business. In the latter half of

employee turnover, helping the company find competent help in a tightening labor market, and improve customers' in-store experience by improving employee morale and productivity. Nowhere in the announcements of Walmart's decision – as reported in *The Wall Street Journal, The New York Times,* and *The Washington Post* – did the firm suggest it had any responsibility to its employees for higher wages.

[3] The firm's situation and ultimate decision is almost certainly the result of an individual manager's, or a group of managers', previous decisions. However, those individual decisions, over time, can become a part of the nature of the firm itself.

the 19th century, as enterprises grew to become extraordinarily wealthy and powerful, there arose normative concerns about profit. No longer was it an unqualified, beneficial outcome of doing business. And for those emerging corporate behemoths, since more profit was better than less, a natural conclusion was to aim to *maximize* profits.

This led to problems. One way to maximize profits was to pay employees as little as possible; another way was to cut back on the quality of the products sold; and a third way was to dispose of manufacturing residues into the ambient atmosphere and nearby water systems. This set up tensions familiar to all of us in the Business and Society field between a corporation's shareholders on one side and its employees, its customers, and the environment on the other. How should managers view profits in this new light? Is making a profit inherently "bad" in the capitalistic system that we know today? How should those managers resolve their conflicting responsibilities?

The growth and development of the Business and Society field in the 1970s and continuing to the present represents this duality of thinking about profits. Is capitalism, with the concept of profit at its core, a system that benefits all (admittedly some more than others), or is it a zero-sum game, a "parasitic" system (Truthout, 2014) which inevitably favors the already wealthy and further impoverishes the poor? Both views have staunch adherents; both views have validity; both views are legitimate.

COMPLEMENTARITY FOR BUSINESS SCHOLARS

Archie Carroll (1981) introduced the "pyramid of corporate responsibility" to challenge Milton Friedman's (1970) assertion that making a profit was the paramount, basically the only, responsibility of business managers. Similarly, Ed Freeman's seminal work (1984) embedded in our minds the concept of the stakeholder model of corporate responsibility challenging Friedman's singular focus on the firm's shareholders. Especially for all of us in the Business and Society field, because in our teaching and researching efforts we (for the most part) support Carroll's and Freeman's perspectives, it is difficult for us to accept that Friedman's views did forty years ago and still do have validity. It is, after all, at least possible that a firm could overextend its responsibilities to employees, or customers, or the environment thereby jeopardizing its very existence. The Malden Mills case is an example, albeit a rare one. And we must remember that at the base of Carroll's pyramid is the responsibility to produce satisfactory profits. Instead of rejecting CSR, as Friedman did, or rejecting Friedman, as many of us do today, would not our teaching and our research be even richer and more effective if we could adopt a complementarity perspective and grant legitimacy to both views? And would not this approach put us more in harmony with, and be more empathetic with, the real-life choices managers must make?

There are any number of other examples to be cited from our field of study where divergent views remain unreconciled. On the subject of stakeholder management, there is still no clear definition and no complete agreement as to what constitutes a stakeholder. Mitchell, Agle, and Wood (1997) presented their theory of stakeholder identification, choosing power, urgency, and legitimacy as the three metrics by which to judge the saliency of stakeholders. Yet theirs has not been the last word on the subject; our definition of "stakeholder" as any individual or group or entity that can affect or be affected by a firm's actions may need to be expanded. Consider the employees of one of Nike's contractors or better yet, the employees of a Nike sub-contractor. Such groups have no power in

their own right; they can claim legitimacy as stakeholders only under the most expanded interpretation of the word; and they, again by themselves, present very little sense of urgency. Yet beginning in 1998 Nike acknowledged that it did have some shared responsibility for the pay, benefits, safety, and working conditions for these employees who were one, two, or more "dimensions" removed from Nike itself. This dramatic shift in thinking about stakeholders has reverberated through not only the footwear and sportswear industries but also the general apparel industry and indeed all industries that purchase goods in less developed countries. It has spawned a rapidly growing field in business and in business education now designated as supply-chain management.

Jones and Wicks (1999) recognized two conflicting views of stakeholder theory development which they designated as the "social science" and the "normative" approaches, and offered a "convergent theory" as an alternative.

In the field of business ethics Donaldson and Dunfee (1994) offered us a "unified conception of business ethics: the integrative social contracts theory." In that classic piece they sought to reconcile their concept of "hypernorms" with the equally compelling concept of "moral free space." However, the search for reconciliation between these two valid approaches to moral behavior is elusive. There may be no "unified" concept. We may be forced to accept and live with the sometimes uncomfortable acknowledgement that both approaches are very real and legitimate.

A final example: for years many in our field have struggled with only mixed success to find the evidence which would "prove" that corporate social responsibility is not only compatible with corporate financial performance but that the former does indeed lead to the latter – that "doing good" results in "doing well." While there is by now considerable documentation that doing good can lead to doing well, and while it would be convenient for us as scholars and especially for business managers if that positive relationship were always constant, nevertheless we can all cite or imagine situations wherein doing good does not necessarily lead to doing well. Sometimes it is necessary for a manager or a firm to follow a particular course of action because it is the right thing to do, even if that action actually leads to lower earnings. Is this not another example of complementarity? Can we accept that both sides in this debate have equal merit, validity, and legitimacy?

CONSIDER: THE NIKE CASE

Once business managers and academicians began thinking about "stakeholders," following the publication of Freeman's (1988) *Strategic Management,* as noted above, it has been widely understood and accepted that a company's employees represented one of the firm's most critical stakeholders. It would take another ten years, however, before the boundaries of that understanding would be stretched.

Nike's success in the athletic footwear and apparel industries has been based on a unique strategy and business plan: that the company would outsource all of its manufacturing to low-wage countries and spend the money it saved in lowering production costs on marketing and promotion. This strategy served the company well until the mid-1990s when a series of events – labor unrest in Indonesia, the Kathie Lee Gifford exposé, a series of Doonesbury cartoons ridiculing Nike, and a

Michael Moore documentary on the pitiable wages and working conditions in Nike's suppliers' factories – turned the issue into a full-blown public relations disaster for Nike (Spar, 2002; Doorey, 2011; Schifrin, Carroll, and Brady, 2013). In the very brief but critical period of 1997-1998 Nike CEO Phil Knight went from denying any concern for workers in his suppliers' factories as young as 14 to the radically opposite position: that Nike's suppliers must raise the minimum age of their workers to 18. Adding an exclamation point to this new perspective Knight stated, "Nike has zero tolerance for underage workers."

What we now take for granted deserves special consideration because it represents a dramatic widening of our perspective on stakeholder responsibility. No longer is it simply a firm's own employees who represent this vital stakeholder group; now all of the employees of all of our suppliers are also our stakeholders with whom we have some relationship, however tenuous, and for whom we have some responsibility in compliance with stakeholder theory. Perhaps the most dramatic illustration of this development was the quick trip taken by Apple CEO Tim Cook to China in 2011 to visit the company's principal assembler of I-Phones and I-Pads, Foxconn, following a spate of suicides at the Chinese company's main factory (Young, 2011).

This dramatic widening of stakeholder definition is akin to moving from a two-dimensional view of responsibility for our own employees to a three-dimensional perspective of accepting some degree of responsibility for the employees of our suppliers as well. As laudable as this development is – the expansion of corporate social responsibility to remote stakeholders badly in need of it – it brings with it a set of most difficult questions. How far can this responsibility be stretched? If a Nike supplier buys and uses sewing machines manufactured by another company using underage labor, must Nike bear the responsibility for that? If the construction firm that built the supplier's factory used underage labor or did not offer appropriate safety equipment to it workers, is that also Nike's responsibility? Must there be <u>some</u> limit to our responsibilities, if only because the pragmatic problems of carrying out those responsibilities appear to have limits? Can we somehow hold both of these beliefs in our minds: that we have an expanded, three-dimensional view of corporate social responsibility as it relates even to the employees of our far-flung network of suppliers and their suppliers, while at the same time accept that there are geographic and other practical limits to this responsibility?

CONCLUSIONS

How does this introduction of complementarity help the business scholar in his/her teaching? More important, how does it help the business manager make difficult decisions involving painful trade-offs between the interests of competing stakeholders?

First, it reminds us that complexity, tension, and unresolved differences are not just present in our human lives but are an absolutely essential part of our humanity. In psychiatric terms Friedman's view (and that of Dilbert's boss) is the voice of the "*id*" working in our personalities. It is the side of our nature focused on our self-interest, our drive for survival. Opposed to this, working in each of us, is the "*ego*" voice, the controlling or regulating factor, the communitarian side of our personalities. Both drives are perfectly normal and essential to our human nature; neither is psychotic.

Second, complementarity supports the most basic tenet of stakeholder theory in recognizing that every firm has multiple responsibilities to multiple stakeholders, rather than the Friedman position that there is only one basic responsibility: making a profit and creating the greatest possible return on investment for the primary and only really important stakeholder, the firm's owners.

Third, complementarity helps us move beyond stakeholder theory, beyond recognizing that there are competing interests, to a realization that there are two (or more) distinct visions or perceptions of the same set of circumstances, both of which are valid, both of which are legitimate. No longer is the manager simply the agent of the shareholders, as Friedman claimed, committed to rejecting the claims of all other stakeholders. Nor is the manager or the scholar beholden to reject the Friedman perspective. Both the Friedman view and the Carroll/Freeman view are valid and legitimate interpretations of how businesses do and should address their responsibilities to the broader society.

Finally, there is the excitement here of a novel approach to decision-making. Van der Byl and Slawinski hold out the promise of "creative solutions…creative responses to tensions… [and] creative outcomes" (2015:59-60). Lewis (2000:760), citing Cameron and Quinn (1988), foresees a "move beyond oversimplified and polarized notions to recognize the complexity, diversity, and ambiguity of organizational life. [Complementarity offers] a potentially powerful framework for examining the impacts of plurality and change, aiding understanding of divergent perspectives and disruptive experiences." Out with the tired either/or style of decision-making. In with a new approach: one that accepts and embraces the simultaneity and validity of quite different and often competing perspectives.

But there is no "silver bullet" presented here, no prescriptive blueprint for management decision-making. Reaching those decisions will remain a difficult and sometimes painful process. It would be easier if we could accept just one point of view, if we could "demonize" and reject the "other side." But such is not to be. Business managers and scholars alike must accept conflict and tension as inevitable and irreconcilable. We will continue to make decisions based on a combination of personal and institutional values all the while acknowledging and legitimizing the competing points of view. Understanding complementarity clarifies our thinking process and leads to better teaching and better decision-making.

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Ethical Decision-Making Theory: Identifying Gaps and Deficiencies

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Abstract: Ethical decision-making (EDM) descriptive theoretical models often conflict with each other and typically lack comprehensiveness. This paper examines these conflicts, gaps, and deficiencies in current EDM theory which would need to be addressed in any future comprehensive EDM model. The gaps and deficiencies include the following: (1) lack of consolidation of individual EDM variables; (2) lack of broader issue-related characteristics; (3) lack of moral awareness (or amoral awareness); (4) lack of integration of intuition and emotion; and (5) lack of integration of moral rationalization. The paper concludes with its implications for future EDM descriptive theory building.

Keywords: emotion; ethical decision making; intuition; rationalization

INTRODUCTION

While much has been discovered regarding the ethical decision-making (EDM) process within business organizations (Palazzo et al., 2012, p.323), a great deal remains unknown. The importance of EDM is no longer in doubt, given the extent of illegal and unethical activity that continues to take place every year and the resultant costs to societal stakeholders including shareholders, employees, consumers, and the natural environment (U.S. Sentencing Commission, 2014; Ethics Resource Center, 2014; Association of Certified Fraud Examiners, 2014). Unethical activity by individuals continues despite the best efforts of business organizations to implement comprehensive ethics programs, including codes of ethics, ethics training, and whistleblowing hotlines (Tenbrunsel et al., 2003; Webley, 2011) and despite the extent to which business schools around the world teach the subject of business ethics (Rossouw and Stuckelberger, 2012). The significant negative yet potentially preventable costs to society resulting from the unethical actions of individual firm agents suggests that ethical decision-making might be considered one of the most important processes to better understand, not only for the academic management field but for the corporate community and society at large (Treviño, 1986, p.601).

There have however been important developments through academic research over recent years leading to an improved understanding of EDM (for comprehensive qualitative reviews, see Treviño et al., 2006; Tensbrunsel and Smith-Crowe, 2008). Building on and borrowing from a series of academic disciplines and theories, a number of descriptive ethical decision-making *theoretical* models have been proposed to help explain the decision-making process of individuals leading to ethical or

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unethical behaviour or actions (see Torres, 2001). Commonly referred to as ethical decision-making (EDM) theory, these *descriptive* theoretical EDM frameworks (as opposed to *normative* EDM frameworks) help to explain how cognitive processes (i.e., reason or intuition) or non-cognitive or affective processes (i.e., emotion) operate within the brain (Reynolds, 2006; Salvador and Folger, 2009) leading to moral judgment and behaviour on the part of individuals.

The rationalist approaches to EDM suggest that a reflective moral reasoning process plays the key role in ethical decision making. The rationalist approach might be classified into three "prominent streams of research" (see Sonenshein, 2007): (i) manager as philosopher (e.g., Kohlberg, 1973; Hunt and Vitell, 1986); (b) a person-situation approach (Treviño, 1986; Ferrell and Gresham, 1985); and (iii) an issue-contingent approach which focuses on the characteristics of the issue rather than the individual or situation (Jones, 1991). To further enhance our understanding, the rationalist theoretical models typically present the EDM process as a series of temporal and sequential *process* stages, typically beginning with initial awareness or recognition of an ethical issue leading to a moral judgment, intention, and finally to behaviour (Rest, 1986). The intuition-emotion stream, in contrast to the rationalist approaches, focuses on one's gut sense or gut feelings which determine what is ethically acceptable (Haidt, 2001; Sonenshein, 2007). According to Haidt (2001): "The central claim of the social intuitionist model is that moral judgment is caused by quick moral intuitions and is followed (when needed) by slow, ex post facto moral reasoning" (Haidt, 2001, p.818).

In addition to explaining the EDM process, most theoretical EDM models also include a set of individual, organizational, or situational-related *variables* and indicate at which stage of EDM (i.e., awareness, judgment, intention, or behaviour) they can exert a causal effect or a moderating influence. Based on these theoretical EDM models, hundreds of empirical studies, both qualitative and quantitative in nature, along with several meta-studies, have now been conducted to try to verify and explain exactly which independent *factors* or *variables* actually influence the decision-making of individuals, including whether one stage of EDM necessarily leads to the next stage (see Ford and Richardson, 1994; Loe et al., 2000; O'Fallon and Butterfield, 2005; and Craft, 2013).

While such theoretical and empirical research has proven helpful to better understand what has been referred to as the 'black box' of EDM (Liedka, 1989, p.805; Tenbrunsel and Smith-Crowe, 2008, p.584), the relevance or explanatory power of the theoretical and empirical research can at least initially be questioned given the lack of consistent findings (O'Fallon and Butterfield, 2005; Craft, 2013; Pan and Sparks, 2012). This may be partially attributable due to the research methods being used (e.g., the use of scenarios/vignettes, surveys, student samples, or self-reporting, see Randall and Gibson, 1992; O'Fallon and Butterfield, 2005) or the diversity or quality of the research measurement instruments being utilized (see Mudrack and Mason, 2013; Casali, 2011). Another possibility may be that EDM is simply too complex a neuro-cognitive-affective process involving too many inter-related or undiscoverable variables being processed by our brains preventing any possible generalizable conclusions. It may also be that the predictive ability of any theoretical EDM model will be limited to activity that more clearly constitutes ethical or unethical behaviour, rather than predicting behaviour involving more complex dilemmas (a 'right versus a right' or a 'wrong versus a wrong') where achieving normative consensus over what even constitutes 'ethical' behaviour can often prove to be elusive (Ferrell and Gresham, 1985, p.87). The challenges and complexity of EDM have even led some researchers to suggest a "punch bowl" or "garbage can" approach to EDM, which assumes that researchers will never know exactly what takes place leading

to ethical judgments, and that only what goes into or out of the process is capable of being analyzed (e.g., Shminke, 1998, p.207).

RESEARCH PROBLEM AND OBJECTIVES

One other possible explanation for the lack of consistent empirical findings however is that further refinements to EDM descriptive theory models if undertaken might improve the models' explanatory and predictive capability leading to more relevant and consistent empirical findings. It is this latter possibility that this article seeks to address. For example, a review of the descriptive EDM theoretical models proposed to date (Tensbrunsel and Smith-Crowe, 2008) along with consideration of the more recent challenges and criticisms raised with respect to EDM research (Haidt, 2001; Sonenshein, 2007; Whittier et al., 2006; Bartlett, 2003) suggests that there is significant room for improvement in theoretical EDM models. Following their review of the empirical EDM research, O'Fallon and Butterfield state (2005, p.399): "If the field of descriptive ethics is to move forward to strengthen our understanding of the ethical decision-making process, it is imperative that future studies focus more attention on theory development." According to Tenbrunsel and Smith-Crowe (2008, p.547): "…many [studies] are still atheoretical or uni-theoretical, relying on a single theory." They then reflect on the deficiency in EDM theory: "Unlike in the past, researchers no longer need to justify their rationale for studying ethics; instead, their attention needs to focus on developing a more comprehensive theoretical platform upon which empirical work in behavioural ethics can continue" (Tenbrunsel and Smith-Crowe, 2008, p.593). In other words, the current disagreement among scholars over which theoretical EDM model (if any) is the most appropriate, especially when engaging in empirical research, needs to be addressed.

This paper will attempt to contribute to the EDM literature by focusing on the primary gaps in the theoretical ethical decision-making models that have been identified. By doing so, the research objective is to provide a series of propositions that can lead to the development of a more robust theoretical descriptive EDM model that not only captures and builds upon the current state of EDM in a more comprehensive manner, but also consolidates and attempts to bridge together the varying and sometimes directly conflicting propositions and perspectives that have been advanced. The following will now outline some of the major deficiencies, gaps, and inconsistencies in EDM theory that should be addressed in any new proposed EDM model.

GAPS AND DEFICIENCIES IN EDM THEORETICAL MODELS

Lack of Consolidation of Individual EDM Variables

There currently appears to be confusion within the various EDM models regarding which factors play a key role in EDM and how they should be classified or categorized. One study found that 119 different variables, many of which might overlap, have been included in one or more of eleven different EDM theoretical models demonstrating a lack of consistency (see Torres, 2001). Greater clarity over the categorization and labeling of the various EDM variables and in particular the situational/organizational and individual constructs should take place to reduce possible confusion among EDM researchers in their use and categorization.

More specifically, there appears to be a lack of discussion of the importance of moral character in EDM: "[Rest] and other models of EDM in organizations are…devoid of virtue ethical considerations" (Crossan et al., 2013, p.570). According to Pimental et al. (2008, p.360): "The presently available models are insufficient [because] they fail to find that individuals' characteristics are integral to the identification of ethical dilemmas". Others have suggested that dispositional values (i.e., moral values such as benevolence and universalism and non-moral values such as hedonism and beneficence) that "…inhibit or encourage moral conduct" must be incorporated into any EDM model (Watson et al., 2009, p.3). In other words "…'bad' or 'good' apples, or bad features of otherwise good apples play a role in decision making as well" (Watson et al., 2009, p.12). The current view of what constitutes a 'bad apple' being primarily based on one's cognitive moral development or 'CMD' (e.g., Treviño and Youngblood, 1990; Ashkanasy et al., 2006), may not be sufficient to properly reflect the individual 'apple's' ethical disposition. Carlson and Kacmar (1997) propose that in addition to CMD, one's 'moral philosophy' and 'value system' also determine one's ethical motivation. Watson et al. (2009, p.21) suggest that both moral and non-moral dispositional characteristics should be reflected in EDM research. Damon and Hart (1992, p.455) propose that: "there are both theoretical and empirical reasons to believe that the centrality of morality to self may be the single most powerful determiner of concordance between moral judgment and conduct." This leads to the first proposition: *Consolidate the individual variables and moral self-concepts into a single individual-based construct in any revised EDM model.*

Lack of Broader Issue-Related Characteristics

Rather than focusing on the good or bad 'apples' (i.e., individual characteristics) or the good or bad 'barrels' (i.e., organizational or situational characteristics), some have argued that the 'ethical issue' itself should be the focus of EDM (Weber, 1996). As opposed to an apple (i.e., individual) or the barrel (i.e., organizational environment), one should also consider the 'case' as well, meaning the moral issue itself (see Kish-Gephart et al., 2010). Jones' (1991) issue-contingency model clearly moved EDM in this direction, although it's not clear if it was moved far enough. For example, one could simply minimize the importance of issue intensity by incorporating it into other process stages of EDM such as the moral judgment stage: "While Jones (1991) adds the concept of moral intensity which is the degree of 'badness' of an act; it can be placed in the consequences and behavioural evaluation portions of the synthesis integrated model" (Herndon, 1996, p.504). The criteria used by Jones to define issue intensity might also be critiqued from a normative perspective, as being too limited by merely focusing on consequential concerns (similar to Bentham's utilitarian criteria) along with social norms. 'Issue intensity' as an EDM construct may therefore need to have its criteria expanded to include broader deontological considerations such as the potential violation of a rule or acting in an unjust manner which would presumably render an issue more intense in nature.

Other issue-related characteristics beyond issue intensity also appear to be lacking in EDM models. For example, some researchers (e.g., Valentine and Hollingworth, 2012) have minimized the importance of moral intensity in favour of one's "perceived personal relevance or *importance* of an ethical issue to an individual" ("PIE") (Robin et al., 1996, p.17, emphasis added). Another aspect of issues which does not appear to have been discussed in EDM literature is whether an issue is perceived to be very *complex* or difficult to resolve (i.e., the perceived degree of conflict among competing moral standards or stakeholder claims) which could affect one's motivation to even attempt to resolve the dilemma or might affect the process (reason or intuition) by which moral

judgment is reached. The concerns over the limited definition of 'issue intensity' and the potential relevance of other issue related characteristics to EDM such as issue 'importance' and issue 'complexity' leads to the second proposition: *The issue-related variable should be broadened to include other issue-related features*.

Lack of Moral Awareness (or amoral awareness)

The EDM models, by relying on Rest (1986), presume that only through moral awareness of the potential ethical nature of a dilemma can one ultimately engage in ethical behaviour. For example, Sonenshein states (2007, p.1026): "…moral awareness is often viewed as binary – you either recognize the ethical issue or you fail to do so…Consequently, research has tended to focus on whether moral awareness is present or absent as a precondition for activating the other stages of rationalist models (Jones, 1991, p.383)…" The focus then has been on moral awareness itself, rather than on the outcome of amoral awareness or the factors that might lead to a lack of moral awareness. As a result, the potential for "amoral management" (Carroll, 1987) is not taken into account in almost all proposed EDM models.

There are now several theories that have been proposed in the EDM literature to help explain the processes or reasons by which one might lack moral awareness, which has been referred to as "amoral awareness" (Tenbrunsel and Smith-Crowe, 2008). For example, *ethical fading* is "the process by which the moral colors of an ethical decision fade into bleached hues that are void of moral implications" (Tenbrunsel and Messick, 2004, p.224). In order for "ethical fading" to take place, people engage in self-deception through the use of euphemistic language (e.g., "aggressive" accounting practices; "right sizing") and other techniques to "shield themselves" from their own unethical behaviour. Another similar term used to explain one's lack of moral awareness is *ethical blindness*, or "the decision maker's temporary inability to see the ethical dimension of a decision at stake" (Palazzo et al., 2012, p.324). Ethical blindness includes three aspects: (i) people deviate from their own values and principles; (ii) this deviation is temporary in nature; and (iii) the process is unconscious in nature (Palazzo et al., 2012, p.325).

Other theories related to amoral awareness include *moral muting* (Bird and Waters, 1989, p.75) which involves managers who "…avoid moral expressions in their communications…" even when they act for moral reasons, or non-moral *decision frames* which occurs when one focuses on the business or legal implications of issues rather than the ethical considerations (Tenbrunsel and Smith-Crowe, 2008; Dedeke, 2015). The process of framing in a non-moral manner leading to amoral awareness can result due to insufficient or biased information gathering, or socially constructing the facts in a particular manner (Sonenshein, 2007). Amoral awareness can also be the result of a lack of *moral attentiveness*, which has been defined as: "…the extent to which an individual chronically perceives and considers morality and moral elements in his or her experiences" (Reynolds, 2008, p.1027). A lack of *moral imagination* (Werhane, 1998) can also lead to amoral awareness. Moral imagination involves whether one has "a sense of the variety of possibilities and moral consequences of their decisions, the ability to imagine a set of possible issues, consequences, and solutions" (Werhane, 1998, p.76). When one is only able to see one option, one may be unaware that one is even facing an ethical dilemma with other more ethical alternatives being available.

By not including amoral awareness in EDM models, an important stream of EDM research is being ignored. Even if one is not aware that an ethical dilemma exists, one can still engage in what might be considered 'unintentional' ethical or unethical behaviour (Tenbrunsel and Smith-Crowe, 2008; Jackson et al., 2013). Due to the importance of understanding amoral awareness and the processes leading to it, which would necessarily prevent a moral judgment process from taking place and thereby increase the potential for unethical behaviour, amoral awareness should also be depicted in any EDM theoretical model. This leads to the third proposition: *Include amoral awareness (or lack of moral awareness) leading to behaviour in revised EDM model.*

Lack of Integration of Intuition and Emotion

A growing number of researchers are indicating the importance of including what has been referred to as the "dual process" of both reason and intuition in any EDM model (e.g., see Elm and Radin, 2012, p.316; Marquardt and Hoeger, 2009, p.159). For example, Woiceshyn (2011, p.313) states [emphasis added]: "Following the developments in cognitive neuroscience and neuroethics (Salvador and Folger 2009) and paralleling the general decision-making literature (Dane and Pratt 2007), most researchers have since come to hold a so-called *dual processing* model of ethical decision making." Despite this fact, very few studies provide a clear visual depiction of the influence of both reason and intuition on EDM. Haidt (2001) includes reason (or reasoning) as well as intuition in his schematic social intuitionist model, although as indicated above, reason serves primarily a post hoc rationalization function and emotion (or affect) appears to be comingled with intuition for Haidt. Reynolds (2006) proposes a two systems model which also includes both intuition (the reflexive X-system) and reason (the higher order conscious reasoning C-system) but appears to have left out the impact of emotion. Woiceshyn (2011) also attempts to integrate reason and intuition through a process she calls 'integration by essentials' and 'spiraling' but does not explicitly include emotion. Gaudine and Thorne (2001) visually depict the influence of emotion on the four EDM stages but do not refer to intuition. Other fields, such as social psychology, have attempted to merge intuition and reason together schematically (Strack and Deutsch, 2004).

One published study was identified however that shows the links between reason, intuition, *and* emotion. Dedeke (2013) does so by proposing a "cognitive-intuitionist" model of moral decision-making. In the model, intuitions are referred to as reflexive "automatic cognitions", which may or may not interact with "automatic emotions". This interaction is considered part of the "pre-processing" process which often takes and is then "subject to review and update by the moral reflection/reasoning process". Emotions such as anger can also "sabotage" the moral reflection stage for some people and thus an "emotional control variable" is proposed "…that enables an individual to…modify…their feelings stages". Dedeke's "cognitive-intuitionist" integrative model recognizes and captures the importance of moving future EDM theory in a more integrative manner, i.e., one that incorporates reason, intuition, emotion, and rationalization into the EDM process.

While the actual degree of influence of reason versus intuition/emotion and the sequencing or nature of the interaction remains open for debate and further research (Dane and Pratt, 2007), virtually everyone now agrees that both approaches play a role in EDM. The relationships between emotion and intuition upon each other, as well as on moral judgment and intention, should therefore be indicated in any revised EDM model. As indicated by Haidt (2001, p.828): "The debate

between rationalism and intuitionism is an old one, but the divide between the two approaches may not be unbridgeable. Both sides agree that people have emotions and intuitions, engage in reasoning, and are influenced by each other. The challenge, then, is to specify how these processes fit together. Rationalist models do this by focusing on reasoning and then discussing the other processes in terms of their effects on reasoning. Emotions matter because they can be inputs to reasoning…The social intuitionist model proposes a very different arrangement, one that fully integrates reasoning, emotion, intuition, and social influence." Yet despite the claim of "fully" integrating reason and emotion, Haidt (2001) clearly makes reason play a secondary role to intuition in a potential two stage process, highlighting its lack of importance to EDM (see: Saltzstein and Kasachkoff, 2004). This leads to the fourth proposition: *Include both intuition and emotion in addition to moral reasoning as part of the EDM process*.

Lack of Integration of Moral Rationalization

Moral rationalization has over time become recognized as a more important psychological process with respect to EDM. Moral rationalization has been defined as "the cognitive process that individuals use to convince themselves that their behaviour does not violate their moral standards" (Tsang, 2002, p.26) and can be used to justify both small unethical acts as well as serious atrocities (Tsang, 2002, p.25). Another way of thinking about rationalization is through the process of *belief harmonization* which involves "a process of arranging and revising one's needs, beliefs, and personal preferences into a cohesive cognitive network that mitigates against cognitive dissonance" (Jackson et al, 2013, p.238). Rest also refers to the rationalization process by suggesting that (1986, p.18): "…a person may distort the feelings of obligation by denying the need to act, denying personal responsibility, or reappraising the situation so as to make alternative actions more appropriate. In other words, as subjects recognize the implications of [their moral judgment and intention] and the personal costs of moral action become clear, they may defensively reappraise and alter their interpretation of the situation [i.e., the awareness stage] so that they can feel honorable, but at less cost to themselves."

There are several potential theories underlying moral rationalization. Moral rationalization may be based on the notion of *moral appropriation* or "the desire for moral approval from oneself or others" (Jones and Ryan, 1997, p.664). The moral rationalization process has also been tied to what Ariely (2012, p.53) refers to as *fudge factor* theory, which helps explain how many are prepared to cheat a little bit through 'flexible' moral reasoning while still maintaining their sense of moral identity. Similarly, *moral balance* theory permits one to engage in moral deviations as long as one's moral identity remains 'satisfactory' (Nissan, 1995).

Bandura's theoretical work on *moral disengagement* has also become an important theoretical source with respect to moral rationalization. According to Bandura (1999), moral disengagement, similar to moral rationalization, involves a process by which one convinces oneself in a particular context that ethical standards do not apply. Moral standards regulate behaviour only when self-regulatory mechanisms or "moral self-sanctions" (i.e., one's conscience) are activated. Psychological processes that can prevent this activation include "…restructuring of inhumane conduct into a benign or worthy one by moral justification, sanitizing language, and advantageous comparison; disavowal of a sense of personal agency by diffusion or displacement of responsibility; disregarding or minimizing

the injurious effects of one's actions; and attribution of blame to, and dehumanization of, those who are victimized" (Bandura, 1999, p.193).

Anand et al. (2004) and Heath (2008) extend Bandura's work by outlining the additional means by which one can rationalize corrupt or unethical acts. In terms of the timing of rationalization in the EDM process, according to Anand et al. (2004, p.11): "Rationalizations can be invoked prospectively (before the act) to forestall guilt and resistance or retrospectively (after the act) to ease misgivings about one's behaviour. Once invoked, the rationalizations not only facilitate future wrongdoing but dull awareness that the act is in fact wrong." While moral rationalization is therefore a cognitive (albeit possibly subconscious) process, it may also affect, be affected by, or work in conjunction with (i.e., overlap) the moral reasoning process or emotion. Moral rationalization is often unfortunately ignored or simply assumed to exist by most EDM models. The often critical sub-process of moral rationalization should therefore be made explicit in any proposed EDM model leading to the fifth proposition. *Include the moral rationalization process in any revised EDM model.*

CONCLUSION

This paper attempts to address the major deficiencies that have been noted in currently used EDM theoretical models. There are several other potential important deficiencies in the current state of EDM theory which are beyond the scope of this study that should be addressed as well. But if a new proposed theoretical EDM model can at least properly take into account the primary concerns raised above, a potentially more robust and comprehensive EDM model will have been developed for use by a broader range of empirical EDM researchers. Given the extent of theoretical and empirical research that has now taken place, EDM in organizations might be considered to be moving towards developing into a "stand-alone" academic field (Tenbrunsel and Smith-Crowe, 2008, p.545). Whether this eventually takes place is primarily dependent on the strength of the theoretical EDM models being developed and tested by empirical EDM researchers.

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Business Ethics & Ethical Leadership **Fits Conference Theme**

Business and Corporate Social Responsibility in a Gross National Happiness Economy: Insights from Bhutan

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Abstract: The current debate around better measures of progress and going 'beyond-Gross Domestic Product (GDP)' raises the question of implications for businesses and their sustainability efforts. Bhutan, with its Gross National Happiness (GNH) development approach provides an interesting case to investigate businesses in an economy focused on improving the conditions for wellbeing and happiness in society, alongside the goal of growing GDP. This study explores if and how GNH influences business conduct and sustainability efforts in Bhutan. It also investigates Bhutanese business and government leaders perceptions of the concept of GNH in relation to concepts such as Corporate Social Responsibility (CSR) and Corporate Sustainability (CS). Some preliminary findings include that the Bhutanese value-system forms the foundation of business leaders' world-views and influences their business conduct and decision-making more than the recent formulation of the GNH framework. A comparison of the CSR, CS and GNH frameworks shows however that the GNH model has the potential to offer a sustainability framework that goes beyond-CSR.

Keywords: GNH; beyond-GDP; corporate social responsibility; beyond-CSR; values

INTRODUCTION AND CONTEXT

The global 'beyond-Gross Domestic Product (GDP)' debate has been building ever since Kuznets (1930) developed the measurement of GDP. This debate has emerged with some vigour particularly since the last global economic crisis in 2008 (Capra & Henderson 2009; Berger 2010; Sachs 2011; UN 2012; OECD 2012).

Some examples of alternative measures of progress beyond GDP, include the Genuine Progress Indicator (Kubiszewski et al. 2013) and Bhutan's Gross National Happiness Index (Ura et al., 2012). Other solutions being discussed in the 'beyond-GDP' debate include new international institutions, human-centred leadership, a new money system that is not dependant on growth, new ownership structures and replacing efficiency mindsets with sufficiency mindsets (Hayden, 2015).

Bhutan was selected for this study because of its development approach of considering Gross National Happiness (GNH) as more important than GDP (GNH Centre, 2013). Much of the academic research on GNH has focussed on its application in a policy context (Metz, 2014), the

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GNH Index as an alternative development measurement tool (Ura et al 2012) and the GNH philosophy as a sustainable development framework (Brooks, 2013). However, very little research so far has incorporated the views and experiences of the business sector in Bhutan with the philosophy of GNH. Some recent studies have paved the way in understanding the role of private businesses in Bhutan's GNH economy (Martin, 2012; Hyden 2015) and the relationship between GNH and CSR (Wangdi, 2004; Lhaden, 2010).

This current study seeks to build on their findings and examines how Bhutan's GNH philosophy and policies have influenced business conduct, ethics, values and corporate sustainability efforts. It seeks to answer the following questions:

a) To what extent does GNH and its values influence business leaders in Bhutan?
b) How have these values been incorporated into business models/behaviour and how do they manifest and influence business sustainability efforts?
c) What are the perceptions of Bhutanese leaders of CSR/CS concepts compared to GNH?

The research study uses a grounded theory approach (Glasser & Strauss 2009; Charmaz, 2014) and involved an in-depth review of available government publications and relevant academic literature on Bhutan and the field of business in society. The primary research for this study included 15 semi-structured interviews with eight Bhutanese business leaders and seven government and civil service leaders. The industry sectors represented among the private business interviewees include small and medium size enterprises (SMEs) in hospitality, tour operation, tertiary education, media and mining with between 50 to 300 employees and one large state-owned commercial entity with more than 1,000 employees. Interviewees when quoted in this paper are not identified and referred to by a number such as P1, P2 etc.

Limitations of the study include that the results from Bhutan as a developing country with a small private sector and developing economy may not necessarily be comparable to other situations and countries. Also the fact that Bhutan's GNH concept has only been operationalized relatively recently since 2008 and mostly in a policy realm, may make this investigation too premature. However, drawing on the extensive research in the field of CSR and CS, it is possible to draw some conclusions from Bhutan's case that highlight the potential of a GNH approach in the context of a 'beyond-GDP' and 'beyond-CSR' era (Waddock et al 2009).

BHUTAN'S DEVELOPMENT SINCE THE 1960s

Bhutan emerged after centuries of seclusion in the 1960s and became a member state of the United Nations (UN) in 1971 (UN, 2015) under the leadership of the 3rd King Jigme Dorji Wangchuck. Since then the country has undergone rapid changes with the first Five-Year government plan from 1961 – 66 setting the course for Bhutan's planned development from virtually nothing. In the early 1960s there was no formal road network, life expectancy estimated to be 35 years of age, only 500 children of the 500,000 population attended primary schools, the economy consisted of subsistence farming and there was virtually no private business sector (RGoB, 1999).

By 2014, the total population had risen to 765,000, income per capita increased from US $580 in 1990 to US$2,390 per annum, infant mortality decreased from 13% in 1990 to 3.6% of live births, and life expectancy is currently at 68 years (World Bank, 2015). Annual GDP growth in 2014 was at

6% and the major sectors contributing to GDP comprise industry (42%) and services (40%), while agriculture decreased to 17% of GDP (World Bank, 2015). Standard of living has improved for many in Bhutan, with the percentage of people living below the poverty line reduced from 36% in 2000 to 12% in 2012 (IMF, 2014). The rapid development of Bhutan over the last 50 years is mostly due to the 5-year planning efforts and the development of hydropower stations resulting in the export of electricity to India, which has been the driving force in Bhutan's socio-economic success.

It is important to note that Bhutan has been monitoring GDP since the 1980s, long before the concept of GNH was formally articulated. The first GDP estimates were prepared in 1981 by Bhutan's Planning Commission and presented in the fifth Five-Year Plan (1981 – 1986) (RGoB, 1981). By 1987, Bhutan started preparing annual National Accounts, monitoring GDP growth and composition (RGoB, 2004). This is most likely due to the fact that donor agencies adopted the internationally accepted progress indicator of GDP to evaluate the effectiveness of development aid.

BHUTAN'S DEVELOPMENT APPROACH – GROSS NATIONAL HAPPINESS

GNH is often quoted as a good example of a nation's approach to setting a different societal development goal that goes beyond-GDP. The term GNH that describes Bhutan's development approach, was first coined by the 4th King of Bhutan, Jigme Singey Wangchuck in 1972 (Ura et al, 2012) when he declared in an interview with Indian journalists that "GNH is more important than GDP". At first it was adopted more as an intuitive guiding principle for Bhutan's government and only become formalised in the late 1990s.

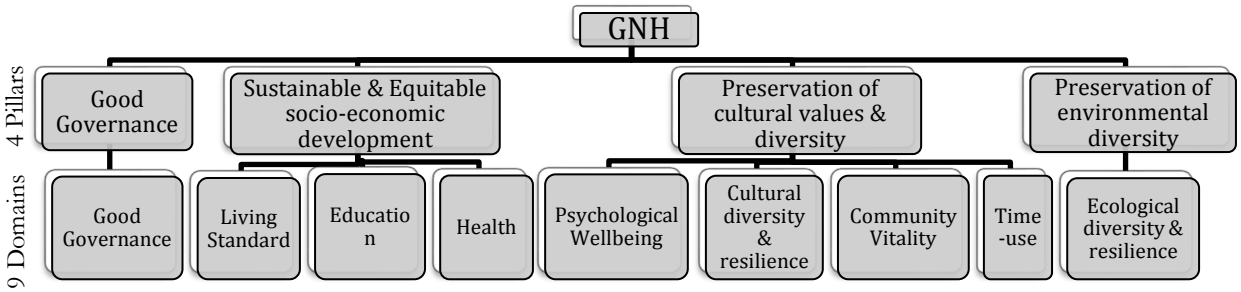
Interestingly, the word 'happiness' appears for the first time in the sixth Five-Year Plan (1987 – 1992) (RGoB, 1989). It was not until the eights Five Year Plan in 1998 that GNH was explained as a development approach in one paragraph highlighting the fact that there is no 'automatic link between economic growth and human development' (RGoB, 1998, p.13). This was followed in the ninth Five-Year Plan (2003-2008) with an entire chapter dedicated to Bhutan's development philosophy and includes the first formal description of the four pillars of GNH (RGoB, 2003). Figure 1 shows the four pillars of GNH that the government intends to balance including socio-economic development, environmental conservation, cultural preservation and good governance.

It is also important to note that Bhutan's understanding of happiness differs from the Western interpretations and is based on a multidimensional description, which highlights that "genuine happiness is understood to arise from a deep abiding sense of harmony with the natural world, of compassion, contentment and joy. It also acknowledges that basic needs like clean air and water, good health, decent living conditions, knowledge, peace, security and justice, meaningful relationships and other dimensions of wellbeing are essential preconditions for human beings to flourish and achieve true happiness." (NDP, 2013: VI)

Bhutan's development philosophy over the past 40 years puts the wellbeing and happiness of its people as the ultimate goal, which is now enshrined in its constitution in Articles 9. and 11.2 stipulating that '*The end result of all development activities should be the attainment of GNH'* (Constitution of Bhutan, 2008). The constitution was developed for the shift from a pure monarchy to a constitutional monarchy with the first democratic government elections held in 2008.

The nine domains of GNH as outlined in Figure 1, and the GNH Index appear for the first time in the tenth Five-Year Plan (2008 – 2013), outlining the intention to create a development measure that captures the essence of GNH as a tool to evaluate the success of the country's planning efforts (RGoB, 2009). This means, that although the concept of GNH appeared over 40 years ago in Bhutan, it is only relatively recently, since 2008, that the concept was formalised and operationalized to guide government policy.

Figure 1: Four Pillars and Nine Domains of GNH



Source: Figure adapted from Ura et al, 2012

The nine domains formed the basis for the GNH Index, with the first pilot study undertaken in 2007, and the first full index data being published from a 2010 survey (Ura et al, 2012). The next evolution of the operationalization of the GNH concept saw the integration of a number of key performance indicators that are linked to the 33 GNH indicators in the current eleventh Five-Year plan (2013 – 2018). This indicates that the results from the GNH Index not only inform the government about where and how to channel budgets, but it is now also being used as a monitoring mechanism for government performance.

While Bhutan has invested much time and effort over the last 10 years in the development of GNH as a defined, measurable and quantifiable development model, it is also important to note that Bhutan is only in the early stages of its journey and does not claim to have achieved a state of GNH or that the framework is complete. Bhutanese leaders such as the President of the GNH Centre (2015) are pointing out that although the concept of GNH has served the country well: *'… We do not claim that it is the best option. It has its limitations. We see it as a dynamic design that must be constantly enriched and improved…'* HRH Princess Kezang Choden Wangchuck, President of the GNH Centre Bhutan.

BHUTAN'S CULTURAL VALUES AND ETHICS

While the 4th King of Bhutan coined the phrase *'GNH is more important than GDP'* (GNH Centre, 2015) it was the 5th King Jigme Khesar Namgyel Wangchuck who said in 2009: *'Today, GNH has come to mean so many things to so many people but to me it signifies simply – Development with Values… development guided by human values'* (Bhutan Research, 2015).

Bhutan's cultural values and ethics are known as the concepts of *tha damshig* and *driglam namzha*. The term *tha damshig* refers to the conduct in relationship with other people to encourage a harmonious society, while *driglam namzha* relates to the conduct between individuals, particularly in public life (RGoB, 2014). Both concepts convey the message of 'morality, justice, egalitarianism, sense of duty to the nation and others in the society' that promote 'the commitment … of love, trust, reciprocity,

compassion, respect and loyalty in relationship with other people' (RGoB, 2013a : 26). Others interpret this code of practice as a way of fostering care for the collective wellbeing of the nation through traits like honesty, fidelity, moral integrity, trustworthiness and coherence, reciprocal affection, gratitude and respect (Phuntsho, 2004).

While *driglam namzha* is often interpreted as a code of discipline and etiquette (Whitecross, submitted), others interpret *driglam namzha* as less of the 'moral and ethical do's and don'ts' but more as a concept of 'orderly good manners and uniform behaviour' (Phuntsho, 2004).

The concept of *driglam* appears for the first time in the government's sixth Five-year Plan (1987 – 1992) (RGOB, 1989) and was formalised and announced as a Royal decree in 1989 (Whitecross, submitted). After not appearing at all in the tenth Five-Year Plan (2008 – 2013), the concept reappears in the current eleventh Five-Year Plan (2013 – 2018) described as the intangible heritage of Bhutan that includes the national dress, language, arts and crafts, food, and traditional games and festivals (RGoB, 2013b). This description seems to emphasise the cultural activities and traditions more than the values and behavioural aspects that were included in the earlier descriptions of the concept.

Bhutan attributes the concept of *driglam* to have first appeared during the time of the Zhabdrung who unified Bhutan as a nation during the 17th century (RGoB, 2003). Furthermore, Phuntsho (2004) points out that the concept of *driglam* existed in Bhutan even before the time of the Zhabdrung and dates back to the Buddhist disciplinary code for self-training of nuns and monks as it was developed by the Buddha approximately 500 BC. This code of practice and ethics arrived in Bhutan in the 8th century with the Buddhist teachings of the teacher Guru Padmasambhava (RGoB, 2003).

Many of the interviewees consider these value systems as part of culture and tradition long before the formulation of GNH, its four pillars, nine domains and GNH Index. Interviewee P15 pointed out that'*…the whole society is [based on that] you have to help each other in the things that you do… it's just a philosophy in the whole Bhutanese society system, from the villages where we grow up, …. you have to share with other people … who are not doing so well… [while] it's not strictly written saying that the happiness of somebody else is your own happiness, … it's understood because of the Bhutanese philosophy and the way we live and help each other'*. Most interviewees stressed the importance of philanthropy as soon as a business is successful, which seems to be a direct expression of the cultural values system in Bhutan.

The intention to contribute to the country and nation–building seemed to even form part of the reason for some of the interviewees to start a business. *'…We were brought up with this sort of ethic of gratefulness for the position that we were in…but I think that [idea] has always been there, to serve and make a difference. And that's part of what drove me also to look for something that I could now on my own perhaps contribute.' (P7).*

While Hofstede's (2010) research into the influence of cultural values on values in the workplace could be useful in this context, Bhutan has never been formally assessed across Hofstede's six dimensions. The estimates published for Bhutan on the Hofstede Centre's website were derived from data from similar countries. Interestingly, these estimates show contradictory findings to a study conducted with Bhutanese civil servants using Hofstede's values survey method (Ugyle, 2013).

Therefore the results from these studies do not provide any further insight but point at an interesting research gap.

Also it should be mentioned here that a National Values Assessment was undertaken in Bhutan in 2008 (Evans, 2008) using the Barrett seven values levels of personal and national consciousness. This study found an extremely strong alignment between the participant's personal values, perceived current national values and the desired national values (Barrett, 2015). The high level of values alignment and low levels of cultural entropy suggest that values inherent in *driglam namzha* are deeply infused across society.

In answer to the first research question a) it can be said that there is some evidence in most of the interviews that suggests the values of generosity, care, contribution and a sense of duty to the country and society are deeply embedded in daily life and the mind-sets of the business and government leaders.

STATE OF THE BUSINESS SECTOR IN BHUTAN

The private sector in Bhutan has been developing gradually particularly since the government privatised many state-owned corporations during the period of the seventh Five-Year Plan from 1992-1997(ADB, 2014). Subsequent Five-Year Plans emphasised private sector development as a way of growing employment opportunities and establishing a vibrant diverse economy. Also the Economic Development Plan (RGoB, 2010), the current eleventh Five-year plan (2013 – 2018) and the Prime Minister's State of the Nation address (RGoB, 2015a), highlight that private sector development is considered to be vitally important to building a strong economy. There is a focus on green growth in a number of industries including tourism, mining, agriculture, Small and Medium Enterprises and the hydropower sectors (RGoB, 2015a).

By 2013, the private sector in Bhutan had grown to nearly 62,282 business establishments that employed nearly 79,000 Bhutanese, or 23.5% of Bhutanese total workforce (RGoB, 2014). The agriculture sector today in comparison still employs 56% of the total workforce. More than 96% of businesses in Bhutan are classified as either cottage industry (1 – 4 employees) or small enterprises (5 - 19 employees) employing an estimated 41,763 in 2014 (RGoB, 2015c). Only 1.15% of those are incorporated companies and almost 98% are sole proprietors. Bhutan currently has a small number of foreign investment companies that operate within Bhutan such as some of the 5-star boutique hotel companies, however there are no large multi-national corporations present in Bhutan.

Despite the focus on developing the private sector in Bhutan there are a large number of hurdles that impede entrepreneurialism and the business sector. Some of the obstacles include lack of access to credit, foreign exchange shortage in particular the rupee crisis, regulatory inefficiencies, bureaucratic burdens, perceived unacceptable levels or risk and a lack of skills and knowledge (Valliere, 2014).

GNH in Business in Bhutan

A number of interviewees described the meaning of GNH to them as a way of finding balance (P4, P7, P10, P11, P12 and P13). Two of the interviewee's offered the following summaries of what

GNH means for them: *'If I had to draw one single conclusion from my side it would be about balance. It's about tradition and about modernity. So, about development and about preservation. It's about opportunity, yet it's also about preserving things as they are' (P7). 'A balance between material growth … with other elements of life that are crucial to wholesome living.' (P10)*

One way interviewees saw themselves using the principles of GNH in their businesses was that it made them deliberate about making decisions that strike a balance between competing priorities. Interviewees described how GNH influences their decision-making processes by involving *'more stakeholders and making decisions after you've assessed the impacts on a wide range of things… you look at the big picture'* (P2). Another interviewee (P11) outlined: *'In the organisation also I feel it's a balance of various mandates that you have. Of course you have to be commercially-minded, that a company should be financially viable, but at the same time you also have to balance the requirements of society, expectations of people and all those sorts of things'.*

Some of the business leaders extended the concept of balance to include that growing company profits are firstly to secure business survival and the immediate family's wellbeing and then further profits were considered as excess that would be shared with other stakeholders in society (P12). One business leader even went as far as to say that their approach was focused on *'people before profits'* (P2), referring to the wellbeing of staff, customers and other stakeholders.

State of CSR and CS in Bhutan

One of the earliest studies that investigated the relationship between the concepts of CSR and the GNH four-pillars framework (Wangdi, 2004) identified that three of the four GNH pillars correlated with the CSR concepts of 'people, planet, profits' (Elkington, 2004). It concluded that the GNH pillar that differentiated GNH from CSR was the pillar of cultural values and ethics.

Another Masters thesis, which investigated CSR of public sector entities in Bhutan (Lhaden, 2010) found that in the ten surveyed public sector commercial entities, 64% of respondents felt that unethical practices existed, with employees being treated unjust, unfair recruitment practices and giving gifts, gratuities and briberies being the most common (Lhaden, 2010). The study also found that 91% of unethical practices that respondents had experienced were not reported due to the lack of legislation and resulting uncertainty of whether a practice was unethical or not. Interestingly, 74% of respondents thought that their companies did not initiate enough training on Bhutan's traditional etiquette and code of ethics *driglam namzha* although 76% agreed that their companies stressed the importance of the national dress code during working hours. The findings from Lhaden's (2010) study highlight that the traditional cultural values-system is potentially being reduced to a dress code within the commercial sectors and that employees are looking for guidance in relation to ethical values and behavioural components.

The first legal CSR requirement appears in the recently drafted Companies Bill of Bhutan, 2014 (RGoB, 2015b) and if adopted will require incorporated companies to embed CSR practices into their companies. In its current form, the Bill incorporates clause 244.(e) which features a mandatory annual reporting mechanism requiring incorporated companies to outline their 'policy on corporate governance and corporate social responsibility' (RGoB, 2015b, p.53).

Interview participants in this current study acknowledged that there is no culture of CSR reporting in Bhutan, due to the lack of documentation of activities and no formal regulations and requirements (P2, P12).

These findings are also confirmed in a study on the perceptions of CSR undertaken in 2013 by the Bhutan Chamber of Commerce (BCCI), which found that most businesses in Bhutan do not have CSR Strategies in place and engage with their stakeholders on an ad hoc basis (BCCI, 2013). The BCCI study found that CSR was mostly perceived as philanthropy by the business community in Bhutan, involving donations to education, sporting and monastic causes.

When comparing the concepts of GNH and CSR some of the interviewees from this current study thought there were quite a lot of similarities between the two concepts (P3, P5). Some other business and government leaders considered the concept of GNH superior to the concept of CSR because GNH involves strong aspects of ethics and a holistic vision. *"The GNH vision already is a bigger vision. Can we just think about applying the GNH values to business and then we don't have to have that separate thing called CSR, which may be came from some other context." (P1)*

Some of the interviewees interpreted CSR as brining more efficiency to business practices *'this is just business'* (P12), whereas others highlighted the fact that GNH offers a completely different outlook through its promotion of sufficiency, or knowing what is enough. The idea of knowing what is 'enough' and 'sufficiency' came up in the interviews a number of times with interviewees P11, P15 and P6 expressing that '*[f]or me personally it means … having my basic necessities, like I have enough. I have, enough to eat. I have, a good shelter over my head. Not in terms of having a luxurious life, but having my basic necessities met. I think that's enough. For the company, in terms of GNH, we are looking at taking care of our staff, not just making sure they're performing, but going beyond that…' (P6).*

On the other hand, government and civil service leaders were uncertain if business leaders appreciate and apply the concept of GNH and sufficiency in their business conduct. Although Bhutan's cultural value system seems to provide a strong foundation, there was also caution among the interviewees that this does not necessarily translate into all business operators adhering to those values and cultural norms, acknowledging that *'not everybody would'* (P15). '*…[W]hile you would expect them [private businesses] to try and balance their objectives also and many do it quite successfully, but … I think the general view of people in Bhutan is still that if you are a business you are out there only for profit, and to maximise profit as much as possible' (*P11).

One other important point mentioned by one of the business leaders highlighted, that when a company has to compete in the international market, that the GNH values and principles may get compromised at times to stay competitive (P12). On the other hand for those who don't compete in an international market the lack of competition in Bhutan has allowed many businesses the luxury of a GNH orientation and focus of philanthropy. This indicates that GNH in business may thrive in less competitive conditions, which currently exist in Bhutan.

Lastly some of the interviewees expressed that businesses in Bhutan are in need of practical guidance and training for how to implement more structured and deliberate approaches to GNH and/or CSR activities indicating that there is '*… a lot to learn especially at the practical level, like CSR what are the practical things that companies are doing' (P1). 'I feel if the government makes it mandatory to have, … step-*

by-step, certain aspects of GNH and certain aspects of corporate social responsibility, make it mandatory, then I think it will give me a free hand to do it, because me and my team, we really want to do more…' (P6).

In answer to the first and second research questions a) and b), the evidence suggests that while there is an implicit values-system that business leaders have grown up with and draw on in Bhutan, GNH, CSR and CS applications are not very well developed or adopted among Bhutan's business community. The uptake of these concepts among businesses is rare, sustainability strategies and reporting even rarer, and the great majority of observable sustainability activities relate to philanthropic contributions to community initiatives. Regulatory incentives and enablers have yet to be implemented, which indicates that Bhutan is still in a position to choose whether to import concepts such as CSR or CS or to operationalize its own GNH concept based on the traditional values system for the business sector in Bhutan. In summary, it can be said that CSR in Bhutan is in its infancy. While the new Companies Bill, 2014 will at least require companies to develop a CSR policy, due to the small number of companies incorporated in Bhutan it is unlikely to have a large-scale effect on sustainability efforts among the business community. Legislation that requires CSR policies in companies encourages compliance behaviour, which has been classified as a 'second wave' approach that is primarily concerned with risk management as illustrated in Benn et al's (2014) phase model of sustainability. On the other hand, business stewardship that focuses on transformational 'third wave' values and behaviours will require a different set of conditions. These need to enable thinking and behaviours that push businesses beyond compliance, beyond efficiency improvements, beyond cost savings and beyond competitive advantage to becoming an integral self-renewing element of the whole society (Benn et al, 2014). The GNH philosophy and framework, which is based in the cultural values-system of service, sharing and contribution to society may potentially already provide a beyond-CSR framework that sees business as an integral part of delivering societal happiness and wellbeing.

A COMPARISON BETWEEN CSR, CS AND GNH FRAMEWORKS

The following section compares the CSR and CS frameworks with the GNH model by drawing on the preliminary evidence and findings from this research study.

Carroll's (1979) CSR pyramid as the most widely quoted CSR framework with its focus on integrating social responsibilities in business, lacks the dimension of environmental concerns. An overlapping, but different concept is the idea of Corporate Sustainability (CS) (WCED, 1987), which seems to be more closely associated with industry practice. Dyllick and Hockerts (2002) identify three types of capital that form the basis for CS considerations in business: economic, natural and social capital. These three capitals form the three pillars of corporate sustainability and are also referred to as 'the triple bottom line' (Benn & Bolton, 2011) or as 'people, planet, profits' (Elkington, 2004)

Among the wide variety of definitions of CSR, perhaps one of the more salient ones is offered by Matten and Moon (2007 : 179) who define CSR as 'a cluster concept, which overlaps with such concepts as business ethics, corporate philanthropy, corporate citizenship, sustainability and environmental responsibility'. Table 1 presents a comparison of the concepts of CSR, CS and GNH to highlight some of the key differences and similarities in relation to the areas of responsibility, values, behaviours, stakeholder considerations and their indicator measures.

Table 1. Comparison of the Concepts of CSR, CS and GNH

Corporate Social Responsibility (CSR)	Corporate Sustainability (CS)	Gross National Happiness (applied in Business)
Areas of Responsibility		
According to Carroll, 1979 & 2008: • Economic responsibility • Legal responsibility • Ethical responsibility • Philanthropic responsibility	According to Dyllick & Hockert, 2002: • Economic Capital • Social Capital • Natural Capital	Modelled on the four pillars of GNH (Ura et al, 2012): • Equitable socio-economic development (Fair profitability) • Good Governance (Good management) • **Preservation of culture (Values & ethics)** • Environmental preservation (eliminating environmental impacts)
Values		
• Efficiency • Compliance • Doing what's right, just, fair • Generosity, altruism	• Socio-efficiency • Eco-efficiency • Eco-effectiveness • Socio-effectiveness • Sufficiency • Ecological equity	• **Sufficiency and balance** • Ethical conduct, **respect, loyalty** • Justice, egalitarianism, transparency • **Being at service to others and society** • Generosity, altruism, **reciprocity** • **Compassion, love, trust, relatedness**
Behaviours		
• Decisions that ensure profitability • Decisions that adhere to law & regulations • Decisions that are just, fair and good • Giving time, money and support	• Conserving resources • Preservation of stakeholders wellbeing • Investment in more effective alternative or substitute technologies	• Knowing **what is enough** for oneself, and what to do with the rest • Sharing and giving • **Taking time for deliberation** and contemplation in decision-making • **Long-term perspective** • Being prepared to give something up – **non-attachment**
Stakeholders considered		
• Stakeholders that effect or are effected by a business	• Society at large	• **All sentient beings and systems**
Indicators/ Measurement		
Examples: • **Economic performance** • Number of legal or ethical	Examples from Global Reporting Initiative (2013) criteria:	Example from GNH Index Contribution towards subjective **wellbeing across 9 domains**,

disputes • Amount of donations made per year to social initiatives	• Organisational profile incl. strategy & analysis • Material aspects and boundaries • Stakeholder engagement • Governance • Ethics and integrity • **Economic performance** • Environmental impacts, resource use, compliance • Social impacts – labour practices and decent work, human rights, product responsibility	measured by 33 indicators, number of indicators per domain in (#): 1. Psychological-Wellbeing (4) 2. Health (4) 3. Time-use (2) 4. Education (4) **5. Cultural diversity & resilience (4)** 6. Good Governance (4) 7. Community vitality (4) 8. Ecological diversity & resilience (4) 9. Living Standard (3)

Some of the key insights from conducting this comparison include that:

a) Ethical responsibility is identified or implied in all three frameworks, however the GNH approach is the only one that explicitly nominates the preservation and practice of cultural values and ethics as a pillar of sustainable development;
b) Although sufficiency appears in the CS interpretation of Dyllick and Hockerts (2002) it is not very widely understood or practiced within companies' CS frameworks. However, the concept of sufficiency is well understood among business leaders in the GNH context in Bhutan.
c) Also the values of 'being at service to others', reciprocity and compassion stand out in the GNH approach;
d) The behaviours of sharing and giving appear in the CSR and GNH concepts, and in Bhutan's approach it is closely linked with the values of 'knowing what's enough' and 'non-attachment';
e) The concern for stakeholders also appears to become broader from CSR and CS to GNH, which is concerned with all beings and systems, as the GNH approach recognises the interconnectedness of all life on earth and beyond.
f) Measurement and reporting parameters are multi-dimensional in the GNH framework and incorporate the cultural values dimensions as one of the monitoring and reporting criteria.

Drawing on the comparison in Table 1, it becomes apparent that the GNH framework potentially offers a more holistic approach to sustainable business development than CSR and CS concepts. However, at the same time there are many practices that could be drawn from CSR and CS to help operationalize GNH for businesses in Bhutan.

CONCLUSION

In summary it appears from the preliminary analysis of interview data that the Bhutanese cultural values system and believe in the GNH philosophy as it was originally expressed, have a noticeable influence on business operators' world-views and decision-making in Bhutan. The concepts of the four pillars and nine domains of GNH seem to inform some business leader's thinking and business

strategies in relation to their environmental and social sustainability efforts. However, the GNH Index, measuring societal happiness as the countries' performance indicator and its policy applications do not seem to have much influence on the business sector in Bhutan at this stage. However, the cultural values-system that emphasises intrinsic values provides a strong foundational world-view in Bhutan's business and government leaders. One of the implications for Bhutan therefore is the opportunity to capitalise on the strong commitment by business leaders to the cultural values-system to engage them in a structured operationalization of the GNH framework, rather than importing CSR or CS concepts that are largely devoid of a values and ethics component. Nevertheless, many practical applications of CSR and CS will make a useful contribution to operationalizing GNH for businesses in Bhutan. Although, globalisation may threaten traditional values-systems like those found in Bhutan, the holistic approach of the GNH concept may provide a unique opportunity to engage Bhutanese business operators in sustainability efforts that go 'beyond-CSR'.

Implications for international business operators are to consider country-specific values and ethics as a key component to incorporate into CSR and CS concepts to expand beyond the traditional CSR and CS approaches. The integration of cultural values and ethics in business sustainability efforts in developed countries may provide an impetus for a transition towards more businesses becoming problem-solvers rather than problem-contributors. It is therefore vital in a 'beyond-GDP' era, which seeks to motivate economic activity towards sustainability and societal wellbeing, that business operators are included in the development of new measures of progress and in changing world-views that motivate intrinsic cultural values.

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Business Ethics &
Ethical Leadership

Discovering the Millennials' Personal Values Orientation: A Comparison to Two Managerial Populations

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Abstract: Values theory posits that individuals have values, formed by upbringing and life's experiences, and influence an individual's cognitive processes, decisions and behavior. Emerging onto the business scene is a new population group, the Millennials. This research seeks to explore Millennials' values from the viewpoint of their *personal value orientation* (PVO). Managerial PVO from the 1980s and 2010s are used as comparative populations. The Millennials' PVO is generally consistent with managerial PVO from past research. They tend toward a Personal, rather than Social, and Competence, rather than Moral, value orientation. Yet, some subtle differences emerged. Millennials are more self-focused and less other-focused than managers from the 1980s or 2010s. They emphasize competency skills more than today's managers but less than the managers of the 1980s and place more worth on moral values than managers of the 1980s but less than today's managers.

Keywords: millennials; values; value orientation; managers

INTRODUCTION

Social scientists observed that all individuals have values, yet each individual's value set is different. These differences are attributed to cultural, upbringing, life experiences, and other forces impacting an individual's life and shaping their value set (Kluckhohn, 1951; Rokeach, 1968). Scholars also discovered a link between individual behavior and personal values (House, Hanges, Javidan, Dorfman & Gupta, 2004; Posner, 2010), and that these values impact individuals' decision-making processes (Allport, Vernon, Lindzey, 1960; Beyer, 1981). Simply put, why people decide to act the way they do is often influenced by their specific values. When applied to business ethics, researchers found that certain values create an ethical orientation that either promotes ethical behavior or, conversely, leads to unethical behavior (Argandona, 2003; Grojean, Resick, Dickson & Smith, 2004). Emerging onto the business scene is a new population group, the Millennials, and a better understanding of this group's personal value orientation – the values leading to their behavior - provides crucial information for business managers as well as for researchers.

Millennials are defined as individuals born between 1980 and 2000. They constitute roughly 80 million people, and as a group exceed the population of the Baby Boomers (born between 1946 and

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1964) by four million. In fact, there are a greater number of 23-year-olds alive today in the United States than any single group of individuals of any other given age.

Millennials are aging into the workforce and will quickly become the future leaders of business organizations, the largest population of consumers, and, as they accumulate wealth, the primary pool of investors. While understood as the most educated and technology-savvy population in the history of humankind (Philips, 2014), little is known about what these individuals believe in or how they view the world from an ethical perspective.

Given the centrality of values in understanding managerial and organizational behaviors, this research seeks to explore Millennials' values from the viewpoint of their *personal value orientation* (PVO). PVO is a stronger representation of an individuals' values than looking at a singular value since values often work in congruence as an influence (Rokeach, 1968). The PVO used here is based on the grouping of values as hypothesized by Rokeach (1973) and empirically tested and weights assigned based on their groupings by Weber (1990). The Millennials' PVO is compared to two other populations: today's managers and managers from the 1980s.

VALUES THEORY

To understand and ultimately measure one's values, Rokeach (1973) developed two lists of values and then offered the cognitive challenge of having his subjects order these values. Rokeach argued that when values are in conflict within the personal value orientation of a decision-maker that the decision-maker is forced to choose between these competing but essentially important values. He also argues that rarely does a single value provide adequate motivation for a decision or action. Thus, the notion of a value orientation, or collection of values rather than a single value, is operationally relevant and active in all decisions and behaviors. Rokeach (1973) argues that "a value system is an enduring organization of beliefs concerning preferable modes of conduct or end states of existence along a continuum of relative importance." From his two sets of 18 values each, he envisions four value orientations: Personal-Competence, Social-Competence, Personal-Moral and Social Moral. However until Weber's (1990) work, it was not empirically validated as to which values from the Rokeach Value Survey categorize into which value orientations.

The notion of a managerial value orientation took a noticeable step forward when Weber (1990) explored the value clusters for managers using Rokeach's original 18 terminal and 18 instrumental values. In addition to empirically clustering Rokeach's original values into orientation groups, Weber incorporated the results from five prior studies to weight the impact that each value has on the value orientations hypothetically proposed by Rokeach. Rather than considering each value as having equal membership (or weight) in the value orientation, Weber was able to place greater weight on certain values that better represent the four value orientations discussed by Rokeach.

Thus, the four value orientations no longer considers each value associated with the orientation as having equal influence or descriptive characteristics. Rather some values are more central to a value orientation category than other values. These categorization and the weights assigned to the values are discussed later. Therefore, despite some of the challenges and concerns raised over values research, it seems plausible that one can gain insights into the value orientation held by individuals

and to also explore if value orientations change from generation to generation – managers from the 1980s or today's managers versus tomorrow's managers, the Millennials, for example. This research addresses these research issues.

HYPOTHESES DEVELOPMENT

As introduced previously, Millennials are individuals born between 1980 and 2000, constituting roughly 80 million people and exceeding the population of the Baby Boomers by four million. As a generation they have experienced the integration of technology into their lives unlike any generation before them. They also witnessed violence and terrorism, particularly in the United States, as they grew up: the Oklahoma City bombing, Columbine High School shooting, and the attacks on September 11th. In the 2010s, Millennials are aging into the workforce and are establishing themselves as the next generation of business leaders, consumers, and investors. They are understood as the most educated and technology-savvy population in the history of humankind (Philips, 2014). The power attributed to this emerging population for the business community is summarized by a headline in a recent *Bloomberg Businessweek* article: "The 23-year-olds will save America" (Philips, 2014). A leading business economist explains, "The coming generation is setting up a whole new consumer model," as the Baby Boomers spawned a few decades ago (Searcey, 2014).

As with all previous generations, personal values are influenced by various events occurring in an individual's life, therefore certain values may be of greater importance than other values and values are not randomly or equally appreciated. Therefore, given the influence of cultural, life experiences, and other societal forces on individuals and their value systems, it is hypothesized that:

> *H1: The Millennials' PVO is influenced by unique experiences and characteristics and therefore their PVO is significantly biased (not randomly distributed) across the four PVO types.*

The Millennial Generation

The Millennials Generation, also referred to as Generation Y, Echo Boomers and Generation Nest by scholars, are often contrasted to prior generations in our society: Traditionalists (born between 1925 and 1945), Baby Boomers (born between 1946 and 1964) and Generation X (born between 1965 and 1980) (Ethics Resource Center, 2013). The Millennials uniquely bring to their burgeoning workplace presence the most extensive personal experience and comfort with technology – email, cellphones, the Internet, social media communication, and an expectation of immediacy when it comes to accessing information. Older generations of workers may be annoyed and confused when working side-by-side with Millennials since the younger generation is more accustomed to living in a world of vast transparency. For Millennials innovation is unfettered, new groups are quickly formed at a sending of a tweet, and decision making is less hierarchical and more inclusive (Agan, 2013). More than 80 percent report they sleep with a cell phone at their bedside, at the ready to receive texts, emails or tweets (Pew Research Center, 2010).

Like their predecessor generations, they experienced violence and tragedy in their childhood, similar to the Traditionalists living through the Great Depression, World War I, and the bombing of Pearl

Harbor. The Millennials are tech-savvy, attuned to and appreciate diversity, and are skilled multitaskers, compared to characteristics attributed to the Baby Boomers: hard-working, idealistic, and committed to harmony. Yet, they are criticized as a generation for lacking fundamental literacy skills, having short attention spans and not being loyal to their employing organization, akin to the limitations associated with Generation X: skeptical and cynical, lazy slackers, and question authority figures. Millennials are viewed as self-absorbed, possibly due to the 75 percent who created a profile of themselves on a social networking site and the one-in-five that have posted a video of themselves online (Ethics Resource Center, 2013).

Therefore, given the Millennials' generationally variant upbringing and experiences, we believe that the Millennials' PVO are significantly different than the two managers' PVO populations recently reported in the literature by Weber (2014).

> *H2a: Given their variant upbringing and experiences, the Millennials' PVO will be significantly different than the PVO for today's managers (Generation X).*
> *H2b: Given their (even greater) variant upbringing and experiences, the Millennials' PVO will be significantly different than the PVO of managers from the 1980s (Baby Boomers).*

What is generally unexplored in the business ethics literature is the influence these historical events and cultural experiences have on the Millennials' PVO as this meta-population in our society begins to assume a critical role in global business environment. There are some studies that investigated the Millennials and begun to describe them as a generation. These are discussed next in the context of the PVO – separating personal versus social orientations from a competence versus moral orientation, per the value orientation framework introduced by Rokeach (1973).

Personal versus Social Values Orientation

The Millennials generation grew up with a more intense association with email, the Internet, cellphones, and immediate access to information. Therefore, scholars see this generation as more connected with others and society and ready to contribute to the betterment of the world they live. This generation is more global in their perspectives and experiences, through the advantages of social media. This leads to a greater appreciation for diversity (Ethics Resource Center, 2013).

On the other hand, studies describe the Millennials generation as generally materialistic – placing greater importance on extrinsic values of money, image and fame, as opposed to intrinsic values toward self-acceptance, affiliation and community. There is a decline in a concern for others shown in lesser importance attributed to empathy, charity donations, having a job worthwhile to society, and a strong civic orientation (Twenge, 2010; Twenge, Campbell & Freeman, 2012). Nonetheless, we believe that Millennials demonstrate a preference, or express a greater importance, toward social values versus personal values when exploring their PVO, compared to the PVO of previous generations: specifically Generation X and Baby Boomers. Therefore,

> *H3a: Given their general preference toward more social interaction and a greater global perspective, Millennials' PVO place greater importance on social values as opposed to personal values and to a significantly greater extent than found in the PVO of today's managers (Generation X).*

H3b: Given their general preference toward more social interaction and a greater global perspective, Millennials' PVO place greater importance on social values as opposed to personal values and to a significantly greater extent than the PVO of managers from the 1980s (Baby Boomers).

Competence versus Moral Values Orientation

Scholars investigated the Millennials' personality or profile when considering if the strong technological influence in their lives contributes to a more technical, competence orientation at work or if the global, interactive trait that characterizes their generation leads to a stronger ethical and moral framework.

The life-long integration of technology in the lives of Millennials may contribute to the discovery that they lack basic literary fundamentals, have short attention spans, and generally lack loyalty to their employing organization. Yet, as a generation, they are excellent at integrating technology into the work lives and along with these skills demand immediate feedback and recognition. These characterizations point toward a stronger focus on competency in the workplace and may influence a preference toward a competence PVO versus a moral PVO.

A moral PVO emphasis is further questioned when we consider that this generation more easily rejects authority than previous generations. They generally dismisses many rules and organizational customs, such as a dress code (Ethics Resource Center, 2013). More Millennials believe it is acceptable to post negative comments about their employers than any other generation in the workforce. However, there is a recognition of ethical or moral code for Millennials, found in the literature. Millennials are more ethnically and racially diverse and tolerant than prior generations.

While prior evidence is somewhat contradictory, we believe that Millennials demonstrate a preference, or express a greater importance, toward competence values versus moral values when exploring their PVO, compared to the PVO of previous generations: specifically Generation X and Baby Boomers. Therefore,

H4a: Given their strong technical skills and general rejection of formal authority or rules, Millennials' PVO place greater importance on competence values as opposed to moral values and to a significantly greater extent than found in the PVO of today's managers (Generation X).
H4b: Given their strong technical skills and general rejection of formal authority or rules, Millennials' PVO place greater importance on competence values as opposed to moral values and to a significantly greater extent than the PVO of managers from the 1980s (Baby Boomers).

METHODOLOGY

Sample

The sample used in this exploration consisted of students currently enrolled in an undergraduate business degree program at a mid-sized eastern university in the United States, all of whom were born between 1981 and 2000, thus Millennials. The average age of the subjects was 21.5 years, with

52 percent female, and 54 percent in their junior year. The subjects averaged 3.5 years of work experience, mostly at an internship or entry-level position, and had a grade point average of 3.15 of 4.00. Results of data comparisons using these demographic information are presented in the Results section of this paper.

Materials

The Rokeach Value Survey (RVS) was used to assess the importance individuals assign to 18 terminal (personal or social end states of existence) and 18 instrumental (competence or moral modes of conduct) values. However, an important modification to the original RVS has characterized more recent research and also used here: respondents were asked to rate, rather than rank, their value preferences. The RVS is widely accepted in values research (Vauclair, Hanke, Fischer & Fontaine, 2011) and specifically in assessing business students' values (McCarthy, 1997).

Weber (1990) provides an important progression in the data analysis by introducing quantitative-based membership or weights for each of the 36 values based on five prior works (see Weber's initial classification reported in 1990). These weights are assigned to the values within each value orientations theoretically discussed by Rokeach (1973) – personal or social value orientation for the terminal values and competence or moral value orientation for the instrumental values.

Measures

To statistically analyze this sample a Pearson chi-square test for independence is used to see if the sample varies from (or is independent from) a normal distribution, addressing hypothesis #1. Next, the Millennials sample is compared to Weber's (2014) two managerial value orientation populations – today's managers (from the 2010s) and Baby Boomers (from the late 1980s). This series of investigations explore if the Millennials' PVO differs from the managers' PVO in general and at the more detailed dimensions of personal versus social and competence versus moral orientations, testing hypotheses #2, 3a, 3b, 4a and 4b. The individuals' Likert-scale ratings of the values are analyzed using a Pearson chi-square goodness of fit test for a 2 x 2 contingency table. A P-value is found using a Fisher's Exact Test of the data to see if the distribution across the four categories is significantly different across the samples. Further assessment of the PVO dimensions is conducted using the Z-test of proportions.

RESULTS

The first assessment of the data looks at whether the Millennials value orientation distribution across the four cells is random, that is equally distributed. A Fisher's Exact Test, within the chi-square statistic, found that the data in this sample are statistically different in distribution than what is expected randomly (e.g., 25 percent of the mangers populating each cell), as shown in Table 1. The chi-square test statistic is: $X^2 = 5.4479$ and therefore the "P" value is significant at 0.02. This finding statistically *supports H1 – the distribution of the Millennials' PVO is biased, not random.*

Table 1 - Millennials' Personal Value Orientations

	Personal (terminal) Value Orientation	Social (terminal) Value Orientation	Total
Competence (instrumental) Value Orientation	258 (46.4%)	75 (13.5%)	333 (59.9%)
Moral (instrumental) Value Orientation	153 (27.5%)	70 (12.6%)	223 (40.1%)
Total	411 (73.9%)	145 (26.1%)	556 (100%)

Most Millennials are grouped into the Personal-Competence PVO (46.4%), with the Personal-Moral PVO the next common subgroup (27.5%). This distribution indicates that more Millennials exhibit these two PVO than would be expected in a random distribution. The remaining two PVO – Social-Competence and Social-Moral -- has a population of 13.5 and 12.6 percent respectively, accounting for a less than normal distribution into these two PVO cells. The implications of these finding are discussed in the paper's final section.

Next, the data representing the Millennials' PVO are compared to the PVO found for two different managerial populations: today's managers (Generation X, born between 1965 and 1980) and managers from the 1980s (Baby Boomers, born between 1946 and 1964). These two managerial value samples are reported in Weber (2014) and have the following demographics:

- Today's managers: These managers were given the Rokeach Value Survey between 2011 and 2013. There are 367 managers in this sample, all at the middle to upper rankings as managers in their organizations. The average age of the managers in this sample is 41.7 years, 98 percent are white, and 84.3 percent are male.
- Managers from the 1980s: These managers were given the Rokeach Value Survey between 1986 and 1988. There are 413 managers in this sample, typically at the rank of middle to upper managers in the late 1980s. At that time, the sample had an average age of 40 years, with a large majority white (98%) and male (84%).

Therefore, given that Weber's two samples were drawn to conduct a replication study, the two samples are nearly identical in terms of their demographic characteristics. The only critical difference is when the values data were collected: early 2010s versus the late 1980s.

Millennials versus Today's Managers (Generation X)

As shown in Tables 2 and 3, the chi-square goodness of fit test statistic compares the Millennials sample with the two managerial samples. Table 2 illustrates the assessment of the Millennials' PVO versus the PVO for today's (early 2010s) managers. The chi-square goodness of fit test statistic is $X^2 = 37.114$ with a "P" value significant at the less than 0.001 level. This finding statistically *supports H2a – the distribution of the Millennials' PVO is statistically different than the PVO for today's managers, "Generation X."*

Table 2 -
Managerial Value Orientations for Today's Managers – early 2010s (Weber, 2014)

	Personal (terminal) Value Orientation	Social (terminal) Value Orientation	Total
Competence (instrumental) Value Orientation	136 (37.1%)	43 (11.7%)	179 (48.8%)
Moral (instrumental) Value Orientation	108 (29.4%)	80 (21.8%)	188 (51.2%)
Total	244 (66.5%)	123 (33.5%)	367 (100%)

Chi-square goodness of fit comparison – Tables 1 and 2: $X^2 = 37.114$, $p < .001$
Social / Personal PVO Z-test – Tables 1 and 2: $Z = - 2.4356$, $p = 0.014$
Competence / Moral PVO Z-test – Tables 1 and 2: $Z = 3.3262$, $p < 0.001$

Table 3 - Managerial Value Orientations for Baby Boomer Managers – Late 1980s (Weber, 2014)

	Personal (terminal) Value Orientation	Social (terminal) Value Orientation	Total
Competence (instrumental) Value Orientation	221 (53.5%)	90 (21.8%)	311 (75.3%)
Moral (instrumental) Value Orientation	76 (18.4%)	26 (6.3%)	102 (24.7%)
Total	297 (71.9%)	116 (28.1%)	413 (100%)

Chi-square goodness of fit comparison – Tables 1 and 3: $X^2 = 92.474$, $p < .001$
Social / Personal PVO Z-test – Tables 1 and 3: $Z = - 0.6968$, $p = 0.48$
Competence / Moral PVO Z-test – Tables 1 and 3: $Z = -5.0247$, $p < 0.001$

Despite only a small passage of time, individuals born between 1965 and 1980 (Generation X) versus 1981 and 2000 (Millennials) are different in their PVO. Millennials demonstrate a greater distribution in the Personal PVO than today's managers (73.9% versus 66.5%) and in the Competence PVO than today's managers (59.9% versus 48.8%). This combination results in more Millennials with a Personal-Competence PVO (46.4%) than for today's managers (37.1%). Millennials also have a greater distribution in the Social-Competence PVO than today's managers (13.5% versus 11.7%). In contrast, today's managers more frequently populate the Personal-Moral PVO than the Millennials (29.4% versus 27.5%) and the Social-Moral PVO (21.8% versus 12.6%).

Since the two populations are found to be significantly different through the chi-square goodness of fit test, additional tests using a Z-test of proportions are conducted to see which of four dimensions that characterize the PVO are significantly different. These tests show that the Personal-Social PVO dimension is significantly different between the Millennials and today's managers ($z = - 2.4356$, $p = 0.014$). The negative Z-test statistic indicates that the Millennials place less importance on social, as opposed to personal, values than today's managers. This finding *fails to support H3a* which hypothesized that Millennials, due to their general preference toward more social interaction and a

greater global perspective, would place greater importance on social values as opposed to personal values when compared to the PVO of today's managers (Generation X), although the difference between the two populations is significant. The implications of this discovery is discussed in the paper's final section.

Next, the Competence-Moral PVO dimension is compared across populations. The Z-test of proportions shows a significant difference between the Millennials and today's managers ($z = 3.3262$, $p = 0.0008$). The positive Z-test statistic indicates that the Millennials place greater importance on competence values, as opposed to moral values, than today's managers. This finding *supports H4a*, which hypothesized that given their strong technical skills and general rejection of formal authority or rules, Millennials' PVO would place greater importance on competence, as opposed to moral, values and to a significantly greater extent than found in the PVO of today's managers (Generation X).

Millennials versus Managers from the 1980s (Baby Boomers)

Turning to an assessment of the Millennials' PVO compared to managers from the 1980s (Baby Boomers), Table 3 shows the chi-square goodness of fit test statistic is $X^2 = 92.474$ with a "P" value significant at the less than 0.001 level. This finding statistically *supports H2b – the distribution of the Millennials' PVO is statistically different than the PVO of managers from the 1980s, "the Baby Boomers*." In fact, the chi-square statistic indicates an even greater difference between these two populations than found when comparing the Millennials with today's managers.

The passage of three decades in time may contribute to why statistical differences are found when comparing the two samples' PVO, individuals born between 1946 and 1964 (Baby Boomers) versus 1981 and 2000 (Millennials). Millennials demonstrate a slightly greater distribution in the Personal PVO than the Baby Boomer managers (73.9% versus 71.9%) and a greater difference in the Moral PVO than today's managers (40.1% versus 24.7%). This combination results in more Millennials with a Personal-Moral PVO (27.5%) than for the Baby Boomer managers (18.4%). Millennials also have a greater distribution in the Social-Moral PVO than the Baby Boomer managers (12.6% versus 6.3%). In contrast, the Baby Boomer managers more frequently populated the Personal-Competence PVO than the Millennials (53.5% versus 46.4%) and the Social-Competence PVO (21.8% versus 13.5%).

Since the two populations are found to be significantly different through the chi-square goodness of fit test, additional tests using a Z-test of proportions are conducted to see which of four dimensions that characterize the PVO are significantly different. The Personal-Social PVO dimension is initially investigated. It is evident from Table 1 that the Millennials did not favor social values over personal values. Moreover, the Z-test of proportions fails to show any significant difference when comparing the Millennials to the Baby Boomer managers ($z = -0.6968$, $p = 0.48$). Therefore, the data *fails to support H3b*, which posits that given their general preference toward more social interaction and a greater global perspective, Millennials' PVO would place greater importance on social values as opposed to personal values and to a significantly greater extent than the PVO of managers from the 1980s (Baby Boomers). The data indicate that the Millennials are alike Baby Boomers in this PVO dimension – favoring personal values over social values and without any significant difference

between the distributions of these value preferences across the two populations. The implications of this finding is discussed in the paper's final section.

Next, the Competence-Moral PVO dimension is assessed across the two populations and the Z-test discovers significant differences when comparing the Millennials to the Baby Boomer managers ($z = -5.0247$, $p < 0.01$). The negative Z score indicates that the Millennials give less emphasis to a competence PVO than the Baby Boomers, which *fails to support H4b*. It is posited that given their strong technical skills and general rejection of formal authority or rules, Millennials' PVO would place greater importance on competence values as opposed to moral values and to a significantly greater extent than the PVO of managers from the 1980s (Baby Boomers). This is not found to be true and could be due to the exceptionally strong preference toward competence versus moral values expressed by the Baby Boomer mangers (75.3% to 24.7%). The implications of this finding is discussed in the paper's final section.

DISCUSSION AND LIMITATIONS

There are a number of findings arising from the data analysis that are expected. First, the Millennials PVO distribution is not random (or equal) across the four PVO types. This gives credence to the long-time belief and research discoveries that vales are influenced by an individual's upbringing and cultural factors. Despite their uniqueness, like the managers from the 1980s and today, Millennials emphasize one particular value orientation: Personal-Competence, over the other three PVO types. Nearly half of the Millennials demonstrated having this PVO type, which points to a number of possibilities.

When comparing Millennials' PVO to managers' PVO differences emerge, offering partial support to many of hypotheses tested in this research. Millennials appear to bring a unique value set to their budding professional career. These differences are most evident in the comparison of the terminal and instrument value groups. For the terminal values – seen in a personal versus social value orientation, *Millennials prefer the personal value orientation within the set of terminal values (73.9%) more than the social value orientation (26.1%). This distribution is more focused on the personal value orientation in the terminal values than today's managers (66.5%) or managers from the 1980s (71.9%)*, failing to support either Hypotheses 3a or 3b.

A deeper dive into the data analysis focusing on the instrumental values reveals additional important discoveries. Millennials, as a group, appear to fit between the managerial groups from the 1980s and today, providing only partial support for Hypotheses 4 (a and b). Millennials place greater importance on Competence values (59.9%) than today's managers (48.8%), as predicted in Hypothesis 4a, but not as much as shown by managers from the 1980s (75.3%), contrary to the prediction in Hypothesis 4b. The expectation of a competency values focus is supported by research introduced earlier (such as Ng, Schweitzer & Lyons, 2010) and an emphasis on in integration of technology into their work lives.

Implications of a population entering the workforce and becoming a more viable consumer and investor as they acquire wealth is a mixed message for employers, marketers and financial advisors. Like the generations of the managers that preceded them, Millennials appear to be hard-working

individuals, ready and willing to apply their skills to focus on success and achievement in the workplace. The narcissistic tendencies and emphasis on competency skills found here and elsewhere are aligned with previous generations of business students entering the business community as a strong "can do" populations of workers. The lack of a social dimension to their personal value set may be short-lived as scholars predict that various business forces, such as past ethical scandals and an emerging emphasis on social issues such as sustainability, will transform employees and emphasize a greater interest in social and moral values (Ekici & Onsel, 2013; Weber, 2014). Similar adjustments in the Millennials PVO may occur as they fine-tune and clarify their role as consumers and investors in the global marketplace.

To summarize, this research set out to create an ethical profile of the Millennials. The identification of a Millennials personal value orientation launches this quest. The research uncovers that Millennials, as a group, are affected by their upbringing, experiences and cultural forces, making them a unique group of individuals. When compared to managers, from the 1980s and today, Millennials share some of the same PVO characteristics yet also maintain their uniqueness. Millennials are focused on themselves and place high importance on competency values, as opposed to having a more social and ethical orientation.

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CSR & Performance

The Diffusion of CSR Practices: Past Research and Future Directions

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Abstract: This paper identifies the connections between the diffusion of innovations, social network, and institutional literatures to the study of the diffusion of managerial practices in general and Corporate Social Responsibility (CSR) in particular. We demonstrate that each literature has contributed to explaining the diffusion and adoption of CSR practices but that there are still unexploited opportunities specially in combining the concepts and methods from diffusion, institutional, and networks literatures. We also argue that social network theory is a natural bridge that connects diffusion and institutional literatures providing richer explanations

Keywords: Corporate Social Responsibility (CSR); Diffusion; Social Network Theory

INTRODUCTION

Why do firms adopt CSR practices? The literature has generally provided three answers: a rational approach based on costs and benefits for the individual firm, an institutional approach based on mimetic, normative, and coercive pressures, and a focus on managerial discretion, based on managerial values and attributes. Unfortunately, this literature has largely ignored the multiplex webs of relationships with other actors in which firms are embedded (Granovetter, 1985; Rowley, 1997). Although studies do take into account the national contexts in which CSR is practiced (Matten and Moon, 2008), theorizing about CSR diffusion has largely proceeded oblivious to the multitudinous diversity that exists even within a given national context. The problem is that by focusing only on the individual attributes of the firm, the institutional context, or managerial values, scholars will underestimate the mutual influence between the firm and its stakeholders (Rowley, 1997), thereby failing to explain why a given firm in a given place decides to adopt or not adopt a certain CSR practice.

To study the diffusion and adoption of new practices, researchers have used concepts from three different, but related literatures: diffusion of innovations, social network theory, and institutional theory (Abrahmson & Rosenkpof, 1997; Shipilov, Greve & Rowley, 2010; Valente, 1996). However, there are few attempts to provide a comprehensive review of the diffusion and adoption of managerial practices that includes these three literatures, thus presenting only partial theoretical and empirical advances and failing to address the similarities, differences, and interactions between the

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diffusion, institutional, and social network literatures (Baptista, 1999; Colyvas & Jonsson, 2011; Kilduff & Oh, 2006). As a result, the theoretical and methodological advances in one literature fail to inform the others, hindering progress in our understanding of diffusion. Our goal is to evaluate previous attempts to study the diffusion of CSR practices and suggest new opportunities for improvement that are not currently addressed.

In this paper, we argue that network theory provides an important common conceptual and methodological approach for both the diffusion and institutional theory literatures in explaining the diffusion of managerial practices in general and CSR in particular. Combining network concepts and methods allows richer social explanations absent in many traditional diffusion and institutional studies. Although there are studies that combine these theories, the connections between the three literatures are generally not explicit. By identifying the connections between the diffusion of innovations, institutional, and social network literatures, we hope to accelerate our understanding of the concepts and methodologies currently used to study the diffusion of CSR practices. Ignoring these connections limits the ability of researchers to incorporate new concepts and techniques and to overcome the inherent limitations from each literature.

This paper is structured as follows. In the first section we explain how diffusion, institutional theory, and social networks help interpret the diffusion and adoption of CSR practices, providing examples of studies using each theory individually. In the second section, we present how researchers have partially combined concepts and methods from these three literatures to explain diffusion of CSR practices. Third, we argue that social network theory can be a common platform for the diffusion and institutional literatures and serve as a bridge to connect diffusion and institutional theories. Finally we conclude with examples of potential theoretical and empirical opportunities by combining the diffusion, institutional and social network approaches.

LITERATURES INVOLVED IN EXPLAINING THE DIFFUSION OF CSR PRACTICES

Either combined or separately, three literatures appear constantly in studies addressing the diffusion and adoption of CSR practices. Concepts and methods from the diffusion of innovations, institutional literatures, and social networks are used to explain how and why individual firms adopt and this adoption spread over a specific population of firms. Table 1 presents a summary of work around diffusion and adoption of CSR practices. We identify ten papers that focus on CSR practices, from ISO 14001 to code of ethics. Also, we identify the main literature or literatures used in each paper. As presented in table 1, only three papers employ social network theory and only one study combines the three to explain diffusion of CSR practices.

Table 1. Studies on the diffusion and adoption of CSR practices

	Authors	Mangerial Practice	Main Literature(s)
1	Boiral (2007)	ISO 14001	Institutional Theory
2	Briscoe & Safford (2008)	Health Care Benefits	Diffusion of Innovations & Institutional Theory
3	Davis & Greve (1997)	New corporate governance practices	Diffusion of Innovations, Institutional Theory, & Social Network Theory
4	Delmas & Toffel (2008)	ISO 14001	Institutional Theory
5	Galaskiewickz & Burt (1991)	Corporate Donations	Institutional Theory & Social Network Theory
6	Hoffman (2001)	CSR practices	Institutional Theory
7	Montiel & Husted (2009)	Environmental Management Programs	Institutional Theory
8	Pache & Santos (2010)	Micro-Credits	Institutional Theory
9	Shipilov, Greve & Rowley (2010)	Governance practices	Institutional Theory, Social Network Theory
10	Vidal, Bull, & Kozak (2010)	CSR practices	Diffusion of Innovations

Diffusion of Innovations

The source of most diffusion concepts originated in the diffusion of innovation literature, which began in rural sociology (Rogers, 2003). The diffusion process is defined as "the spread of abstract ideas and concepts, technology, information, and actual practices within a social system" (Wejnert, 2002: 297). The diffusion of innovations literature concentrates generally on economic arguments (costs and benefits) to explain the rate and speed of adoption of practices by actors (Bass, 1969; Batista, 1999; Young, 2009).

After its early tradition in rural sociology around the period of 1930-1960, the diffusion of innovations literature changed its attention into a wide range of disciplines such as public health, economics, marketing, geography, organizational theory and political science (Valente & Rogers, 1995). In each of this disciplines, the main purpose has been to understand how new diseases, technology, products, knowledge, practices, or ideas spread in a population of individuals, organizations, or regions. In general terms, the diffusion process is described as "the process by which an innovation, is communicated through certain channels overtime between the members of a social system" (Rogers, 2003: 11).

In terms of CSR practices, there are a few studies that address this topic using this literature exclusively. For example, the work of Vidal, Bull & Kozak (2010) addresses the factors that influence practice diffusion among forest companies in three countries, i.e. Canada, Brazil and the United States. Using a qualitative approach, they found that diffusion of CSR practices are influenced by three factors (a) external contextual characteristics of the firm, how firms are embedded in a macro-environment such as market or stakeholder context, (b) connectors, how firms acquire information from their immediate context about the practice and (c) experts and expert organizations, how NGO's, academia or other actors aid in the implementation of the practices. They suggest that these factors are important for the diffusion of CSR practices and that the diffusion process is cyclic, arguing that each factor reinforces the next one from the dyadic level to the macro level influence each other based on external pressures.

Social Network Theory

A second literature involved in explaining the diffusion of CSR practices is Social Network Theory. As a field of its own, social network theory has gained momentum over the last twenty years in many research areas ranging from health sciences to management (Borgatti & Foster, 2003). The natural limitations of the classic econometric models, which assume an actor's rational and isolated decision making, has created opportunities for refined methods that consider decision making in a social context where actors are not isolated, but rather influence each other (Borgatti & Foster, 2003; Granovetter, 1985). Actors, whether individuals, firms, cities, or nations, are connected and cannot be completely understood without also understanding the network in which they are embedded. Even in isolation, i.e. when an actor has no ties to other actors in a network, decision making is made in relation to the rest of the actors in the network (Burt, 1992; Rogers, 2003).

The idea that actors can influence each other has been present in social network literature since its early works. For example, Granovetter (1973) argues that weak ties represent a powerful way to diffuse ideas across cohesive groups of actors. The concept of weak ties implies that the connections to other actors that are less frequent, less emotionally intense, or less reciprocal can be more useful to connect to others than the traditional strong ties. This idea is one of the first attempts to connect the micro (dyadic) level with the macro (network) level since it suggest how individuals with higher number of weak ties are able to diffuse innovations within and across networks.

In this literature review, there are no studies that address the diffusion of CSR practices using social network theory exclusively. In the next section I present how social network analysis has been used in combination with other theories to explain the diffusion of CSR practices.

Institutional Theory

Finally, institutional theory has also contributed in explaining the diffusion of CSR practices. Institutional Theory is concerned with the "taken-for-granted" actions in a social system (DiMaggio & Powell, 1983; Meyer & Rowan, 1977; Scott, 1995). Examples of institutions range from CSR practices, such as ISO 14001 certification, to marriage to the electric system. Every practice that is not socially questioned and provides legitimacy at a particular point in time may be regarded as an institution (Greenwood, Oliver, Suddaby, & Sahlin-Andersson, 2008). Institutional theory explains the diffusion of practices with the idea of the institutionalization process. This process explains how

practices spread in an organizational field. The organizational field involves a group of actors connected *via* social ties. Institutional theory is a common theoretical frame in management and organizational studies at two levels. First, at the micro-level, an actor's decision to adopt a practice may influence or not its adoption by another actor (Battilana, 2006). At the macro-level, a practice may become widespread in a population of actors as measured by the degree of isomorphism in the population (Davis & Greve, 1997; Shipilov, et al., 2010; Tolbert & Zucker, 1983).

The main concept in institutional theory is isomorphism. Institutional isomorphism conveys the idea that organizations become similar by adopting structures and practices that are socially acceptable (Boxenbaum & Jonsson, 2008). For isomorphism to occur, institutional theory offers specific mechanisms that explain how organizations adopt new practices (Campbell, 2007; Dimaggio & Powell, 1983; Davis & Marquis, 2005; Heugens & Launder, 2009; Matten & Moon, 2008).The seminal paper of Dimaggio and Powell (1983) is a classic starting point. Their idea that firms become homogeneous due to social pressures has been quite influential. Institutional pressure is exerted through coercive, mimetic, and normative isomorphism.

Institutional theory is the preferred theoretical framework employed to explain how and why CSR practices diffuse. As shown in table 1, institutional theory is used in nine of the ten studies found in this literature review. Also, institutional theory is the most frequent theory employed when using a single theoretical framework to explain the diffusion of CSR practices. For example, Hoffman (2001) explains how organizational and field levels are interconnected in the diffusion of corporate environmental practices, specifically how organizational strategies are influenced by the institutional field. Hoffman argues that the adoption and diffusion of environmental practices are determined by the complex cultural frames that creates specific strategic responses.

In contrast, Boiral (2007) concentrates in the degree of implementation of the practice instead of just the diffusion process. He focuses on the environmental certification ISO 14001 as an example of a practice with a fast diffusion among firms, but with a low commitment in its implementation. Using the concept of decoupling from institutional theory, he argues that adoption of the practice tends to be ceremonial, superficially improving environmental performance. Although some administrative changes did occur, daily operations remained unchanged. He argues that even though diffusion might be visibly present with a rapid growth, it might not be real in its implementation. Finally, focusing on the individual actor, Montiel and Husted (2009) examine the role of institutional entrepreneurs, individuals that are able to motivate cooperation among different actors, helping in the diffusion of environmental programs. They argue that firms that first adopt environmental certification become institutional entrepreneurs that facilitate diffusion by taking a leadership role in legitimizing environmental certifications.

THE OVERLAPS BETWEEN DIFFUSION, SOCIAL NETWORKS, AND INSTITUTIONAL LITERATURES FOR CSR PRACTICES

One of the main arguments of this paper is the idea that combining diffusion, institutional, and social network literatures provides a better theoretical and methodological platform to study the diffusion of CSR practices. Combining theories is not always an easy task. Different assumptions, levels of analysis and methods are some of the potential complications. However, when appropriate,

using different theories that complement each other can offer researchers a wider set of theoretical and empirical tools.

Although individually, each literature can provide important insights on how CSR practices are adopted and diffused, the richness obtained by combining diffusion, institutional, and networks concepts may address a wider number of research questions. For example, in their work, Briscoe and Safford (2008) study conditions of the spread of practices in organizations. They combine diffusion and institutional concepts to explain the diffusion on human resource practices, in particular, employee's benefits that are the target of activist groups. Using 402 responses from Fortune 500 firms in the U.S., they find that a condition that accelerates full diffusion of practices occurs after the adoption from those actors that were perceived to resist activism. They suggest that institutionalization is a process where different institutional logics contest and not as passive as the traditional diffusion literature commonly assumes.

Combining social network and institutional theories is a common feature to study CSR practices. For example, Galaskiewickz and Burt (1991) focus on the influence of institutional mechanisms in corporate donations. Initially, Galaskiewicz (1985) reported limited support for the idea that direct contact among corporate philanthropic officers in large firms influenced the selection of prospective non-profit organizations. However, Galaskiewickz and Burt (1991) incorporate another important concept in social network, i.e. structural equivalence (the similarity of connections among actors) and found clearer explanations. The partial results found by Galaskiewicz (1985) occurred because direct contact was not the strongest network mechanism that generated contagion in comparison with structural equivalence, which concentrates on role similarities among philanthropic officers. In this case, institutional isomorphism was caused not by direct contact, but by indirect contact from equivalent actors in network position.

Another example on combining social networks and institutional theories is the work of Shipilov et al., (2010). They concentrate on the entire institutionalization process tracing the diffusion of corporate governance practices in an interlock network, i.e. firms connected *via* mutual board members. They argue that the institutionalization process occurs in different stages or waves. What determines the speed or shape of the institutionalization process is the institutional logics from the actors' network. An institutional logic is defined as a specialized cognitive and normative system that determines what is socially acceptable or not during a particular period of time (Lounsbury, 2007; Scott, 1987). Shipilov et al., (2011) argue that once the actors share the same logic, the adoption of similar practices will be more likely. Their main findings suggest that in the first wave of diffusion, organizations adopt practices *via* imitation, regardless of the prevalent institutional logic, while subsequent waves of diffusion will depend on the type of logic among the actors.

An ideal scenario for the diffusion of CSR practices might be the one that incorporates simultaneously, concepts and methods from the three literatures. In this literature review, we found only one paper that attempts to do this. The work of Davis and Greve (1997) study how interlock directors and geographic proximity influences the diffusion of two new corporate governance practices, i.e. golden parachute and poison pill, among 442 large industrial corporations in the U.S. They analyze the rate of diffusion (a classic method in the diffusion literature) among the network created by board interlocks (a usual concept in social network theory) and a particular institutional environment (a crucial element for institutional theory).

In general, their findings suggest that the influence of interlocking firms is contingent on the characteristics of the practice. Influence from direct contact (interlocked firms) occurs when practices are more observable and perceived to be more legitimate. In this case, similar industry and similar network positions influence the adoption of corporate governance practices. In other words, the existence of an interlock between two firms (direct contact), one that has adopted and the other that has not, increases the speed of adoption. However, when no interlock exists, geographic proximity predicts similar adoption. Interestingly, this suggests that visibility of other firm's adoption was sufficient to influence non-adopters, even when a direct contact did not exist.

SOCIAL NETWORK THEORY AS A BRIDGE FOR DIFFUSION OF INNOVATIONS AND INSTITUTIONAL THEORY

In order to connect theories there should be some common theoretical or methodological ground where similar ideas can be put together in order to study a common phenomenon and answer similar research questions. We present examples of how social network theory can provide a solid platform to connect diffusion and institutional literatures.

One of the major areas in which social network theory can serve as a platform for diffusion studies is around the idea that the diffusion process occurs among a set of actors the adoption of practices occurs in a collection of members in a delimited social field. This field is composed by individuals or organizations that are exposed to a specific practice and to the influence of both adopters and non-adopters. Incorporating social network theory represents a natural fit for diffusion and institutional purposes. For example, the work of Briscoe and Safford (2008), which address the diffusion of HR practices, omits social network theory even though their aim is to explain how activist influence the diffusion of practices. Social network concepts such as brokers, i.e. actors that play a pivotal role in communication, and social network techniques such as Quadratic Assignment Procedures (QAP), to test hypothesis involving the inherent autocorrelations in social network data, are examples of how Briscoe and Safford can include social network theory. Similarly, the work of Montiel and Husted (2009) can make use of social network concepts since they concentrate in how an adopter of the practice becomes an institutional entrepreneur, influencing others to adopt.

A second common feature is that both diffusion and institutionalization processes occur over time (DiMaggio & Powell, 1983; Rogers, 2003). The diffusion process represents an evolution from the appearance of a new practice to the point where it reaches the maximum number of adopters. Although not every practice that diffuses gets the institutionalization status (Abrahamson, 1996; Colivas and Jonsson, 2011), both processes involves the acknowledgement of the practice and the decision of the adoption at some point in time. For this, social network theory can provide important insights in explaining the influence of actors in CSR practice adoption. For example, the factors influencing practice adoption in the work of Vidal et al., (2010) are an explicit reference to social network concepts. The first factor, i.e. external contextual characteristics seems to refer to the network as a whole in which the firm is embedded. The second and third factors, connectors and experts respectively, are a clear reference to actors that provide information about the practice directly, in the case of direct contact or indirectly in the case *via* a third actor.

Finally, there is also an inherent longitudinal aspect in both diffusion and institutional theories. There is not much merit in studying diffusion cross-sectionally. Although in some cases longitudinal

social network data is hard to collect and complex to analyze, there are new methodological developments that can be used to analyze this type of data. For example, the Stochastic Actor Based Model (SABM) is a statistical tool that can test hypothesis for network data over time (Snijders, 2005; Steglich, Snijders, & Pearson, 2010). Instead of transforming social network data for traditional econometric models, such as in the work of Shipilov et al., (2010), social network theory can provide statistical tools that can test socio-metric data in its natural form and avoid the statistical problems involved when analyzing network data with traditional econometric models, such as the violation of the assumption on independency between observations.

CONCLUSION

This paper identifies the connections between the diffusion of innovations, social network, and institutional literatures to the study of the diffusion of managerial practices in general and CSR in particular. We demonstrate that each literature has contributed to explaining the diffusion and adoption of CSR practices but that there are still unexploited opportunities specially in combining the concepts and methods from diffusion, institutional, and networks literatures. We also argue that social network theory is a natural bridge that connects diffusion and institutional literatures providing richer explanations.

These three literatures present similarities and differences, both theoretically and empirically in their attempt to study the diffusion of CSR practices. For example, theoretical similarities between institutional theory and social networks have created opportunities to explore how coercive, mimetic, or normative forces shape the diffusion of practices, such as corporate giving (Galaskiewicz & Burt, 1991; Galaskiewicz & Wasserman, 1989) or governance practices (Davis & Greve, 1997 & Shipilov et al., 2010). The influences that the institutional field has on the actor's decision making process to adopt a practice is at the core of social network ideas. Also, the institutionalization process is conceptually similar to the process of diffusion in the diffusion of innovations literature. Although it has been argued that the diffusion and institutionalization process are not synonyms (Colyvas & Jonsson, 2011), the institutionalization process is perhaps the best area of intersection among the diffusion, institutional, networks literatures because it includes common elements such as a process that occurs over time, a degree of influence among actors, and a specific group or population. Nevertheless, few explicit conceptual and empirical connections exist between the three literatures in studying the diffusion of CSR and managerial practices.

These literatures also present significant differences. Theoretically, traditional diffusion models concentrate on rational decision making to estimate the evolution of adoption generally assuming homogenous populations. In contrast, social network theory considers social influence from other actors in the decisions to adopt, incorporating heterogeneous populations. Empirically, there are also several differences. For example, diffusion studies combining institutional theory and social networks generally use econometric models to analyze data. By doing so, researchers not only reduce the explanatory power of network data but also, violate many of the assumptions in traditional econometrics. For example, Shipilov, et al. (2010) study the diffusion of corporate governance practices using network concepts such as cohesion and influence, but use traditional panel data analysis using a logit regression with fixed effects. The use of traditional econometric analysis with social network data violates the assumption that each observation is independent from the rest.

However, by acknowledging the complementarities between these literatures, researchers can detect new theoretical and empirical opportunities to explain the diffusion of CSR practices. For example, theoretically, an area of opportunity in the diffusion of CSR practices is the idea of influence without direct contact. Although institutional theory generally assumes that isomorphism occurs as a result of direct contact among actors in a population, social network theory suggests that CSR practices may be diffused by way of structural equivalence, which occurs when two parties do not have direct ties with each other, but share ties with a third set of actors (Burt, 1987; Galaskiewickz and Burt, 1991).

Another opportunity for theoretical improvement relates to institutional pressures, *via* stakeholders, that influence CSR practice adoption (Delmas & Toffel, 2008; Pache & Santos, 2010; Sharma & Henriques, 2005). These studies account for CSR practice adoption *via* external stakeholders, without including the network dynamics in the organizational field of stakeholders. Other studies attempt to incorporate stakeholders and networks, but use concepts from the latter superficially (Lienert, Schnetzer & Ingold, 2013; Roloff, 2008; Sandstrom, Crona & Bodin, 2014) Although there are important theoretical efforts to address stakeholder pressures without the inclusion of institutional theory (Frooman, 1999; Rowley 1997), we deliberately choose to conceptualize stakeholders as a component of the organizational field because it enables us to examine the mutual influence between all stakeholders as well as between the focal firm and its stakeholders.

Methodologically, one of the major research opportunities for the diffusion of CSR practices in general is the incorporation of the statistical techniques that address the longitudinal analysis of social networks. Research on the diffusion of CSR practices has not incorporated appropriate statistical methods to truly take advantage of social network data over time (Montiel & Husted, 2009). Since time is a pivotal element in the diffusion process, longitudinal designs should be at the center of diffusion studies. Recent methodological advances such as the stochastic actor oriented model may represent an important method to represent the mutual influence among actors over time (Greenan, 2013; Huisman & Snijders, 2003).

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CSR & Performance

A Dialogue about Corporate Social Responsibility: Effective Guidance or Rhetorical Tool?

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Sandra Waddock
James Weber

Abstract: In this symposium, panelists discussed the degree to which corporate social responsibility (CR) is an effective guidance or a rhetorical tool. Panelists organized their comments around three themes: the normative role of CR, descriptive outcomes of CR initiatives, and the ability of CR to effectively address contemporary global, social, economic, and ecological crises. Proceeding from a normative view, Weber contrasts a "child view" and "adult view" of CSR. Waddock argues from an instrumental perspective that current conceptions and implementations of CR are primarily ineffective rhetoric. Last, from a descriptive point of view, Banerjee discusses delusions of CR.

Keywords: corporate social responsibility; moral reasoning; system change; governance; marginalized populations

SUMMARY OVERVIEW

In this symposium, panelists discussed the degree to which corporate social responsibility is an effective guidance or a rhetorical tool. Panelists organized their comments around three themes: the normative role of CR, descriptive outcomes of CR initiatives, and the ability of CR to effectively address contemporary global, social, economic, and ecological crises.

Proceeding from a normative view, Weber contrasts a "child view" and "adult view" of CSR. Where the "child" company asks "What's in it for me?" or "Can I avoid punishment if I act socially responsible?", the "adult" company balances stakeholders' interests and recognizes universal ethical standards such as duty, fairness, and rights.

Waddock argues from an instrumental perspective that current conceptions and implementations of CR are primarily ineffective rhetoric. She advocates for the creation of a Sustainability Monetary Fund or Sustainable Trade Organization and a bank with supportive functions with power equal to

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or greater than those of IMG, WTO, and WB. She advises redesigning the corporation to meet needs of today's not yesterday's societies.

Last, from a descriptive point of view, Banerjee discusses delusions of CR. He argues that the corporate capture of sustainability through CSR has profoundly disempowering consequences for a majority of the world's population, leading to dispossession, death, loss of livelihoods, disease, and impoverishment. It is this win-lose scenario of CSR that most interests him. He asks, what are the conditions in the political economy that allow corporations to accumulate wealth at the expense of social and environmental welfare? CR rationale taken to its logical conclusion leads to a corporation that is responsible for everything and accountable for nothing. To develop a more progressive approach to CSR is about creating a global governance framework to promote participatory economic democracy: the governance of corporations for society.

NORMATIVE

The debate over the normative role of CSR may be the most persistent one. Some scholars argue that corporations, as defined by law, are individuals and thus governed by the same ethical standards and expectations of mature moral behavior and adherence to universally agreed upon ethical principles (Frederick, 2006). Models for establishing correct societal behavior demanded of individuals could also be applied to business organizations. Panelists considered questions such as:

- Is it appropriate for corporations to replace what should be government's responsibility?
- How can and should the world balance government regulation and industry-driven self-regulation?
- What are the ethical principles underlining these potential shifts of responsibility?
- What are businesses' moral responsibilities in an interactive social system?

Jim Weber's Summary Comments - "A Dialogue about CSR - The Normative View of CSR: Too Often a 'Rhetorical Tool' But Normatively Should Be 'Effective Guidance'"

As the opening act of this symposium focusing on "A Dialogue about Corporate Social Responsibility: Effective Guidance or Rhetorical Tool," I thought it best to provide a working definition of the term corporate social responsibility (CSR). Unashamedly the authors of a leading textbook explain, "A corporation should act in a certain way that enhances society and its habitants and be held accountable for any of its actions that affect people, their communities, and their environment" (Lawrence & Weber, 2014, p. 49). "Responsibility" means to "pledge back," creating a commitment to give back to society and the organization's stakeholders. Taking a normative view, embedded in this definition are normative concepts of *responsibility or duty* – to society and various organizational stakeholders; *fairness* – balancing the costs and benefits of corporation actions; and, *do not harm* – to others, environment, and/or society.

In an effort to provide a balanced perspective on the normative, or lack thereof, understanding of CSR, I failed. I failed to discover any viable consideration of CSR that did not have a normative dimension. CSR is "normative" even for Milton Friedman, often used as the anti-CSR perspective, as he explains, "There is one and only responsibility of business, namely to use its resources and engage in activities designated to increase its profit so long as it stays within the rules of the game, which is to say, engages in open and free competition without deception or fraud." Embedded in

this definition are normative concepts of *responsibility or duty* – to stockholders and the law; *fairness* – balancing costs and benefits to owners; and, *do not harm* to stockholders/owners. The critical difference between a pro-CSR stance and Friedman's CSR stance is *focus*, not if it is a normative concept or not.

So, turning to what I know – cognitive moral development - let me tell you "the story of Trey, my 6-year-old grandson." When Trey was 6, I was watching him and wanted him to do something for me. Imagine if I explained to him, "Trey, if you do this you will be adhering to Immanuel Kant's Categorical Imperative and following the teachings of Jeremy Bentham by pursuing the greatest good for the great number – Utilitarianism." I would not have finished this sentence and Trey would have been gone. Rather, being a smart grandparent, I said, "Trey if you don't do this, I will tell your mom." Or, I could have said, "Trey, if you do this for me, I will [insert whatever bribe would have worked.]"

A moral developmentalist would expect a 6-year-old to act this way. At stage 1 and 2 – the child stage – the focus is exclusively on the self, the decision-maker seeks to avoid punishment and seeks personal reward. But it is only later in life, as one matures – which Trey has done, now a 23-year-old graduate engineering school student – that the decision-maker assumes a broad focus in reasoning where one emphasizes a consideration of the consequences to the larger, societal group and an application of societal norms and universal principles.

CSR can be understood from the view of a 6-year-old or from the view of an adult. The "6-year-old version of CSR" is – What's in it for me? How can I be rewarded for being socially responsible? Or, can I avoid punishment if I act socially responsible? We see this view of CSR when companies reportedly become socially-minded when they are experiencing good financial times or being pressured by stakeholders. Yet, when times are financially bad or the stakeholder pressure is not there, then the firm fails to address CSR or fails to incorporate CSR into its strategic activities.

"The adult view of CSR" is quite a different story. In this view, the focus is broad – extending beyond the interests of the firm and its stockholders, to include a balancing of all stakeholders' interests (the stakeholder versus stockholder view). The firm understands its "responsibilities" to society, in addition to its responsibility to its stockholders. The focus is broad – to the firm's role in society. The concern is on consequences to all in society (not narrowly toward the firm and its stockholders). The principles found in society – laws – and universal ethical standards – duty, fairness, rights – are applied.

We see the "adult view of CSR," with its inherently normative elements, in many current and laudable activities, such as:

Northwest Mutual's "The Domino Effect of Childhood Cancer" – the winner of the Boston College Center for Corporate Citizenship's 2014 Film Festival – where the firm acknowledges the tragedy of childhood cancer but also the firm's responsibility to combat this terrible crisis and a clear understanding how childhood cancer affects so many in society beyond the children.

Or, the emergence of "B corporations." As of March 5, 2015, there were 1,223 corporations in 38 countries and 121 industries but with 1 unifying goal: "We envision a new sector of the economy

which harnesses the power of private enterprise to create public benefit. The B corporation is purpose-driven and creates benefit for all stakeholders, not just shareholders" (www.bcorporation.net).

It seems to me that many corporations are taking "an adult view of CSR."

INSTRUMENTAL

Panelists responded to questions regarding the instrumentality of CSR to effectively address contemporary global social, economic, and ecological crises. For example, Waddock argued "that no matter how much [companies individually] change to a more responsible position, . . . [CSR] will not get us to where we need to be to deal with climate change, species extinction, sustainability issues, poverty and inequity, and so on. We need real system change (Waddock & McIntosh, 2011; Waddock, 2014a; Waddock, email communication, August 25, 2014). Panelists considered questions such as:

- Can the corporation contribute to social welfare when its basic function is economic?
- When or under what circumstances can firms do well by doing good?
- As a member of the interactive social system, are businesses morally compelled to do good, that is to enhance society, leaving it better off than it was?

Sandra Waddock's Summary Comments – "CSR Won't Get Us Where We Need To Go"

No matter how much change to a more responsible position (corporate (social) responsibility, CSR/CR) that companies undertake individually, CR will not get humankind to where we need to be to deal with climate change, species extinction, sustainability issues, poverty and inequity, and so on. CR, particularly when defined as companies' *voluntary* contributions to society (or as being somehow discretionary) brings just about nothing of the systemic change that is needed.

On the positive side, most large companies now do have CSR programs in place—and sometimes they are substantive, even substantial. Some are even building in what Charlie Bodwell and I (Waddock & Bodwell, 2007) called 'TRM' (RM, responsibility management) programs that actually shift the companies' business models somewhat -- programs that shift how they do their sourcing, or what happens in their supply chains, or otherwise affect their businesses (e.g., Coca Cola's and Pepsi's attention to water supplies). Too frequently, however, CSR programs are still add-ons to strategy and business models, meant to put the company's activities in a good light while business goes on as usual. So, yes, public relations ploys abound, and attempt to put a good face on companies, while largely ignoring their actual business practices and impacts. There has been a huge development in what I called the corporate responsibility infrastructure (Waddock, 2008), which pressures companies for greater accountability, responsibility, transparency, and sustainability (or the ARTS of corporate citizenship). To date, however, this infrastructure is still largely voluntary, though KPMG (2013) argues that at least sustainability reporting has become 'de facto' required for large multinationals, virtually all of which do some reporting, many in line with GRI standards. That is the positive side.

The negative side is that there is still too little actual mandate to change practice towards what are actually sustainable practices, as opposed to what Ehrenfeld & Hoffman (2014) call less unsustainable practices, because of all the disruption that would imply (never mind the disruption

that cataclysmic ecological event would have…). In part this gap results from weakened (or divided, as in the case of the US) governments. Companies doing CR are free to choose what they want to do—and it's typically pretty limited, while leaving their business model (however productive or destructive it might be) intact. In other words, without systemic change (pressures from stakeholders, policy and regulatory changes, legal changes, or industry standards and subsequent changes), there is little incentive for companies to change. There is some pressure for companies to treat stakeholders of various sorts well these days, but it's not sufficient to get companies to change basic employment, resource, product development, supply chain, or environmental practices on average. True sustainability requires about an 80% reduction from *today's* production levels, e.g., of CO2 and some other waste by-products (Jackson, 2010). Most companies don't have a clue (absent major regulatory initiatives) of how to begin even thinking about changes of that magnitude, particularly in our 'growth at any cost' economic environment—for companies and for countries with GNP with all its flaws.

We need real system change and CR doesn't represent that because that demands changes in public policy, redefining the corporation so that stakeholders and the natural environment are actually taken into consideration, and perhaps most importantly changing the growth meme to something more sustainable. Memes, as biologist Richard Dawkins (2006, original, 1976) pointed out, are the cultural equivalent of genes—and they shape our belief systems and behaviors. As long as we continue to rely on a meme of constant growth in economic, company profits, population, material resource usage, wealth—you name the arena—humanity will be pushing the edges of our ecosystem, potentially to collapse (Diamond, 2005).

Governments, despite their current weaknesses, are the only agents with mandate at their disposal and, in theory at least, enforcement capabilities. The UN does not have these capacities nor the means to do these tasks. Simultaneously, too many governments (and the US is no exception) are failing to live up to their own imperative to serve the common good or public interest and even in ostensibly democratic societies (or at least republican societies), failing to live up to democratic ideas, allowing plutocracy and increasing equity and democracy gaps to become the norm. The only global entities with significant enforcement clout are WTO, World Bank, and the International Monetary Fund, not the UN. The impacts of these so-called Bretton Woods institutions are typically not in the direction of sustainability nor actual betterment of society (in fact, there is some significant evidence that their policies lead to extremely negative impacts on some societies).

In fact, arguably, we need to find ways of achieving some reasonable form of global governance (not government, necessarily) that has the enforcement capacity to hold businesses and other institutions accountable for their actions, practices, and strategies—and, if any, the negative impacts of same. One way forward is to create some sort of SMF (Sustainability Monetary Fund) or STO (Sustainable Trade Organization), and a bank with supportive functions that has power equal to or greater than those of IMF, WTO, and WB—since the crisis facing humanity is basically one of survival of humankind in some sort of lifestyle that makes sense. Politically, of course, these are charged suggestions since to split the world into two extremes, progressives and conservatives would greatly differ on what needs to be done. Biermann and colleagues (2010) propose something called 'Earth Systems Governance' as one way forward, a path that would integrate science, political systems, the economic, and civil society systems.

The corporation is a socially designed and engineered institution (albeit with a lot of momentum in its current direction). As such, it can be redesigned to meet the needs of *today's* and not yesterday's societies. We could 'repurpose' the corporation as a social entity that contributes jobs, economic benefits, and necessary goods and services but with more limited powers and a stakeholder/sustainability orientation as the Corporate 2020 movement suggests. As designed today, with the 'maximize (short-term) shareholder wealth' mantra firmly at its core, such change is not likely. In my view, businesses *should* be responsible for the provision of well-paying jobs (meaning a living wage) that are stable over time and provide sufficient means for employees and their families to live decently. Businesses *should* make products and deliver services that are actually needed, not just made up and then marketed to the unwary. Businesses *should* deliver quality products (e.g., food with actual nutrition that isn't loaded with additive, salt, fat, and sugar and that has been sustainably grown; products that are built to last and can be reused with new software, and recycled when their useful life is finished). Businesses *should* internalize all the costs of product, marketing, and distribution (and should be required to do so by governments), and should be pressured to create business models that are actually sustainable (carbon and resource-use neutral), while still being profitable (albeit not necessarily *growing* profits every year), e.g., servicizing models (where the company services and upgrades existing material products), leasing models, focusing on durability and quality rather than product churn, to give a few examples. Businesses *should* be able to be considered successful when they make a decent annual profit—but it should not have to grow every year, because the growth meme, as I have written in a blog (2014ba), is a basic part of the problem…and it's one that is not logistically (mathematically) feasible over the long run.

The principle of 'do no harm,' not necessarily 'do good' applies at the most foundational level in my view. Firms, however, 'do well by doing good' when they provide stable jobs, good wages, spread out the work so the community benefits, provide necessary goods and services at reasonable cost with good quality, and make fair returns for investors (albeit not a constant mode of growth). This is the business model (and even Friedman-esque) perspective. Firms can do well by doing good when profits (and finance…) are subordinated to societal and ecological benefits, when firms collectively use no more resources than the earth can regenerate over the same period of use, when they develop products with longevity, durability, and software upgradability. Or when they actively and as part of their business strategy promote social good, not just their own (short-term) profitability and 'good.'

CR as commonly understood does tend to "legitimize and consolidate the power of large corporations?" (Banerjee, 2008). Companies with progressive CSR programs stake a claim that they are meeting society's expectations…and basically don't need to do more. As long as we continue with the growth meme at the core of businesses, employees are likely to be the ones who suffer when more 'efficiency' is called for. Customers suffer from being marketed products they neither want nor need—and we all suffer from the excess of consumption (food and other goods) that fills our houses and makes too many of us in the developed world overweight, simply because we are living the lifestyle that the media and advertisements tell us is what we need to be doing. Language matters (or as Ed Freeman would say, the narrative matters). If we redefine CSR—as Wayne Visser (2013) has—as corporate *sustainability and responsibility*, and make it integral to *how the company does business* and not just an add-on, then CSR has some chance of making a difference. Until then, it is likely to be more rhetoric than reality.

DESCRIPTIVE

Panelists discussed descriptive outcomes of CSR initiatives. Banerjee suggests that "one of the more pressing research issues about CSR is that we know little about the outcomes of CSR initiatives . . . [as compared to scholars' extensive focus on] how CSR can provide a competitive advantage" (email communication, August 25, 2014). Panelists will consider questions such as:

- To what degree does CSR provide companies with strong guidance to diminish their negative impacts on and improve their positive relationships with stakeholders other than shareholders?
- To what degree does CSR "legitimize and consolidate the power of large corporations?" (Banerjee, 2008). And if so, which stakeholders are necessarily ignored?
- Is there a middle ground in which CSR provides benefits without risks?

Bobby Banerjee's Summary Comments – "Delusions of Corporate Social Responsibility"

I've been studying CSR for the last 20 years and my main finding is this: CSR is like teenage sex; everybody says they are doing it but in reality very few actually are.

And those who do it do it rather badly. So if I have to pose the question, does CSR offer a real and effective guidance for corporations to do good, my instinctive response is to say no. But I will give the traditional academic response to any question, which is to say: it depends.

If we look at the evolution of CSR from the early 1950s we can discern two narratives about the role of corporations in society. One school of thought argues that corporations are incorrigibly guided by self-interest. This of course is best exemplified by the Milton Friedman school of thought with its almost tiresome cliché that the business of business is business. So this narrative is an economic one and is all about efficiency. There is another narrative that claims that corporations have an enduring capacity to operate on the basis of civic virtue. This narrative is more sociological in its episteme in that it focuses on legitimacy by arguing that society gives corporations the right to exist and consequently corporations have a responsibility to society at large.

So either we take the view that corporations are relentless efficiency maximizers and will exploit anyone or anything, destroy the environment, lower workers wages all to maximize profits or we have corporations as a force of good spreading sweetness and light, peace, goodwill to all and democratic values all over the world. The truth, as it often does, lies somewhere in between. How do these two themes of efficiency and legitimacy play out in corporations? The problem with the efficiency–legitimacy dichotomy, as is the problem with all dichotomies, is that it is often the case that one category tends to define the other and, in the case of CSR legitimacy, becomes subordinate to efficiency because notions and terms of legitimacy are discursively produced and defined by economic efficiency criteria. Which is why much of CSR is about producing win-win outcomes. We will do good for the environment or for society and we will make money doing so. Or save money. And that is how CSR takes a complex problem like sustainability and translates it into eco-efficiency. This market informed notion of sustainability produces a particular form of corporate rationality that informs decision-making about the use of resources. And this corporate capture of sustainability through CSR has profoundly disempowering consequences for a majority of the world's population leading to dispossession, death, loss of livelihoods, disease and impoverishment. The problem with this win-win argument is if a corporation can do good only to help itself do well, there is a profound

limit on just how much good it can do. The CSR literature is replete with win-win scenarios but is strangely silent on win-lose situations, which is what interests me. I think a more robust theoretical approach would shift the level of analysis from the corporation to the political economy of CSR.

So for me the more interesting and important question is not the relationship between CSR and financial performance, which dominates the CSR literature. More than 60 years of research on the CSR/CSP-financial performance link has come up with very little, if anything. And for me this is not an empirical problem but represents a profound failure of the imagination because it tries to find answers to the wrong question: is it profitable to do CSR? I want to ask a different question: what are the conditions in the political economy that allow corporations to accumulate wealth at the expense of social and environmental welfare? And more importantly how can corporations and the economy be governed to prevent environmental and social damage?

Basically I am arguing that the corporation in *its current form* is an inappropriate agent for positive social change. I want to stress in *its current form*. Perhaps there is some transformative potential but we will have to wait and see. I for one am not holding my breath. The current global explosion of interest in CSR may be a good thing but there are some troubling aspects on how particular Anglo-American concepts of CSR are being imposed globally. And in some of my research on CSR in the extractive industries in developing countries I'm seeing a darker side of CSR where it is deployed by mining corporations as a weapon to circumvent legislation and counter local resistance movements against mining, often with the active collusion of governments in those regions.

So if we need to have a more progressive CSR agenda we need to start looking not inside the corporation but at the outside forces that influence corporate activity. We need to study the interaction of market, state and civil society forces that constitute the political economy of CSR if we are to hold corporations to account. The problem with CSR, well, one of many problems with CSR is that if you take its rationale to its logical conclusion then we end up in a situation where a corporation that is responsible for everything and accountable for nothing. For CSR to become more meaningful and effective the discourse needs to shift from responsibility to accountability. Accountability, unlike responsibility is not governed just through voluntary initiatives. Accountability involves answerability, it involves a system of checks and balances and most importantly it involves enforcement. Accountability is not about producing glossy CSR reports.

I am currently developing a research project that examines resistance movements in the extractives industries – mining, oil and gas exploration. As of today, there are 1022 reported cases of such ongoing conflicts. These are reported conflicts, I am pretty sure that the real number is double that if not more. I selected a sample of 25 ongoing conflicts – I had one selection criterion: the conflict had to be violent. Either there is state violence that is deployed in dispossessing communities or there is market violence where MNCs deploy their own private security or there is violence from the community who is resisting dispossession. Here is a list of selected conflicts: Argentina, Brazil, Cambodia, Chile, Ecuador, Ethiopia, Ghana, India, Indonesia, Kenya, Laos, Liberia, Mexico, Mozambique, Nicaragua, Papua New Guinea, Paraguay, Peru, Sierra Leone, South Africa, Tanzania, Tunisia, Uganda, Vietnam, Zambia.

And this is a partial list.

It is no coincidence that all of the countries in this list are former colonies. It is also no coincidence that the corporations involved in these conflicts are all headquartered in New York, London, Paris, Montreal. And what is more interesting is that all of these countries are democracies, which begs the question in what ways if any does democracy serve these communities that are being dispossessed because of mining projects? And what is even more interesting is that every single corporation involved in these conflicts are CSR leaders in the industry. All of them are signatories to the UN Global Compact, which is the largest multistakeholder initiative in the world. And except a few Chinese firms, all of them are signatories to the Extractives Industries Transparency Initiative (EITI), another major multistakeholder initiative. All of them publish slick, glossy CSR reports. So why are there conflicts? Is it just a matter of not implementing their CSR policies properly? Or are there underlying contradictions and structural limitations with the concept of CSR itself? I argue it is the latter.

So the question is how can diverse marginalized populations be enabled to participate in decisions that have profound implications on their livelihoods. Any reconciliation between economic, environmental and social interests is ultimately a political task because it involves structures and processes of power. So the key issue in enforcing corporate accountability is more democratic governance of the political economy. Making corporations accountable can only happen if there is more democratic governance of the political economy with a view to promote participatory economic democracy.

Thus, for me the key challenge in developing a more progressive approach to CSR is about creating a global governance framework. And I don't mean corporate governance where the focus is on the board's fiduciary responsibility to shareholders. I mean the governance of corporations for society. Ultimately the governance of CSR has less to do with how corporations can penetrate civil society or enter into dialogue with civil society actors and more to do with how marginalized and impoverished communities who are non-corporate, non-state and often non-market actors can ensure that their rights are protected in a democracy. Resistance movements that are attempting to fight an unhindered and non-reflexive market liberalism do not find themselves in harmony with that system's form for democratic governance.

The American economist and activist David Korten (1999: 149) defined a socially responsible corporation as, and I quote, 'A truly responsible corporation would be one that produces and sells only safe and beneficial products, does not accept government subsidies or special tax breaks, provides secure jobs at a living wage, fully internalizes its environmental and social costs, and does not make any political contributions or otherwise seek to advance legislation or policies contrary to the broader public interest.' Now I don't know what David Korten has been smoking, but I wish he would share it around - it sounds real good. But at least he has the imagination and courage to describe what a responsible corporation should look like. And every time he has been attacked for coming up with a naïve and utopian definition of CSR his response has been, fine, why don't you come up with a better one?

The key question is to figure out how corporations can be held to account to ensure that they do produce and sell safe and beneficial products, do not accept government subsidies, internalize their environmental and social costs, etc. I think it is incredibly naïve to think that voluntary CSR is going to do all of that.

Let me end with a quote by that famous left wing economist and philosopher.

> 'To widen the market and to narrow the competition, is always in the interest of the dealers. It comes from an order of men whose interest is never exactly the same with that of the public, who have generally an interest to deceive and even to oppress the public, and who accordingly have, upon many occasions, both deceived and oppressed it' (Adam Smith, 1776).

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CSR & Performance

Company Towns, Industrial Welfare/Betterment, and CSR: Lessons from the "Satanic Mills"

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Abstract: This paper describes the principle of service used to guide operations in W.M. Ritter Lumber Company towns, whether this principle supports early attempts at industrial betterment, and whether research on company towns located in remote areas of Central Appalachia during the early 1900s can enhance our understanding of CSR emergence. Many company towns in Central Appalachia are described as "Satanic Mills," a term reflecting exploitive working conditions. Ritter's 1920 book (*The Lumberman*), employee newsletters (*The Hardwood Bark*), and other resources paint a different picture of company town life and describe a management approach based on Ritter's principle of service.

Keywords: ritter; corporate social responsibility; industrial welfare/betterment; company towns; principle of service

INTRODUCTION

This paper describes the *principle of service* articulated by W. M. Ritter to guide operations in his company towns. Known as the Father of Appalachian Hardwood, Ritter (1864-1952) was owner of the largest US hardwood lumber company operating during the early 20th century (Lea, 2001). He built company towns in Central Appalachia - one of the most remote and rugged regions of the USA. Known for high rates of poverty, lack of access to quality education, healthcare, and a general state of isolation, Green (2010) categorized many of the single-enterprise towns built in this region during the late 19th/early 20th century as "Satanic Mills," a term intended to reflect exploitive working conditions and low standards of living. His descriptions - focused primarily on coal towns - are consistent with much of the literature on Appalachian company towns and on nearby textile mills of the southeast USA. Though conditions were extreme, Ritter's principle of service suggests a style of management that contradicts the notion of exploitation and suggests a management approach that was consistent with and supported the industrial welfare/better movement of the early 20th century.

Life in the mountains of Central Appalachia could be difficult, and the work in the extraction industries was fraught with dangers. Exploitation was always a possibility given that many towns were meant to be temporary, lasting only as long as resources could be extracted for profit (Nyden,

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1979). However, we propose that Green's descriptions of Satanic Mills and the scholarly literature on company towns in Central Appalachia are incomplete and present a biased picture of company town life. We believe that examining Ritter's principle of service can provide new insights into these communities and can help us better understand their contributions to the improving worker conditions and, indirectly, to current views of corporate social responsibility (CSR). Our focus is primarily on the decade of the 1920s. We ask two question: First, did the principle of service that was articulated by Ritter to guide decision making among his managers support early industrial welfare/betterment (IWB) initiatives? Second, can revisiting research on company towns located in rugged and remote areas during the early 1900s help reduce a gap in our understanding of how corporate social responsibility (CSR) evolved? The paper begins with background information on attributes of US company towns. Corporate social responsibility and industrial welfare/betterment are then defined. Ritter's principle of service is described and discussed within the context of the early 1900s. The paper concludes with a discussion of findings.

SETTING THE CONTEXT

The Company Town

US company towns of the late 19th and early 20th centuries helped shape the industrial landscape that would define modern business. At one time, single-enterprise towns in the US were estimated to be 2,500 (Green, 2010). The towns supported the spread of commerce, the rise and fall of community, the union movement, and ultimately, the lives of workers today. Some towns were meant to be permanent; others, to be temporary. The more permanent towns are well known -- the textile mills of Lowell, MA; the glass works and labs of Corning, NY; the home of chocolate in Hersey, PA (Green, 2010). Others live on through the name of companies – Pullman, Ford, Kohler, Elgin, U.S. Steel, and Cannon. Other towns were abandoned, leaving very little visible or scholarly evidence that they ever existed. These companies are a mere memory of the workers and/or their families.

Company towns were not model towns built to demonstrate a social, physical, or religious ideology where symbolism was valued over the demands of industrial form and process (Crawford, 1996). They were built to support commerce. By definition, the company town of the early 1900s was "a community inhabited chiefly by employees of a single (or group of) companies which (develop and) *owns a substantial part of the real estate and houses*" (Crawford, 1996). This excludes towns such as Detroit that depended on a single employer but were designed and developed by the private sector.

There have been a few attempts to identify company towns by type. As noted, Green (2010) categorized company towns as either "Industrial Edens" (towns with exceptional housing and working conditions) or "Satanic Mills" (towns with poor working and living conditions). In theory, "Industrial Edens" were ideal towns "backed by companies that promise to share their bounty with workers and families" (Green, 2010). Such promises were common in the US, with paternalism, a sense of righteousness and ego playing a major role in development of the "Industrial Eden". In contrast, the "Satanic Mills" were generally single-enterprise company towns built in areas with poor infrastructures and dangerous working conditions; sharing wealth with workers was not common. In fact, many owners were absentee and far-removed from the worksite. Some sites began as camps before developing into towns (Reedy, 1983). Many of the towns were built to house management

and labor recruited from northern US cites and transported to resource-rich areas in regions like Central Appalachia (Report of Attorney General, 1907).

Owners of early 20th century company towns differed philosophically on what constituted good business practice, especially as it related to operations and worker rights. The company towns themselves also differed along multiple dimensions, including: 1) degree of permanence (temporary to permanent), 2) basis of organization (task-oriented to people-oriented), 3) degree of competition (high to low), 4) certainty of future (known to unknown), 5) nature of production (manufacturing to extraction), 6) nature of output (raw materials to finished product), 7) control system (individual paternalism to structural paternalism), and 8) management philosophy. Where company towns fell on these dimensions was often in a state of flux. The early 1900s were turbulent; violence associated with labor unrest was growing, and activists (in particular, female activists) were demanding improved working conditions, including the eradication of child labor. Company owners were clearly facing complexities that required a new approach to managing operations.

Industrial Welfare/Betterment (IWB) and Corporate Social Responsibility (CSR)

One force driving change in the early 1900s was the Industrial Welfare/Betterment (IWB) movement. The rationale for IWB was that businesses should "shield workers from the strains of industrialism (Jacoby, 1977). However, it led to expressions of concern for worker welfare and questioned the adequacy of contractual agreements between owners and workers. In 1916, the US government legitimized IWB by defining it as "(a)nything for the comfort and improvement, intellectual and social, of the employees, over and above wages paid, which is not a necessity of the industry nor required by law" (In Crawford, 1996). In one sense, IWB was an updated version of extreme paternalism that moved organizations from individual paternalism to structured or organizational forms of paternalism. This led ultimately to formation of personnel departments (Crawford, 1996). By 1914, there were as many as 2500 firms providing welfare activities, from cafeterias and profit-sharing plans to company housing and athletic facilities (Jacoby, 1997).

IWB was similar to current perspectives on CSR as a corporate initiative that takes responsibility for its effects on social well-being. As with IWB, scholars sometimes consider only company initiatives that go beyond what may be required by regulators as representing CSR. Under this definition, CSR becomes, like IWB, "a form of self-regulation integrated into a business model" (McWilliams & Siegel, 2001). However, there are substantial differences, the most important being that the workplace of the early 20th was not highly regulated; it became increasingly regulated in the 21st century. In addition, responsibility for IWB resided with the business owner; responsibility for CSR resides with the corporation. (See Table 1.)

Table 1: Differences When Comparing IWB and CSR

Dimension	IWB	CSR
Party Responsible for Wellbeing	Business Owner	Corporation
Vision Driving Design & Planning	Business Owner	Professions
Control over Property Use	Business Owner	Citizens
Focus of Initiatives	Employees	Corporate Citizenship
Legal Environment	Unregulated	Regulated

Skill Availability	Shortage (Skilled/Unskilled)	Shortage (Skilled/Unskilled)
Owners Value Orientation	Protestant Work Ethic	Multi-culturalism/Diverse
Dominant Management Orientation	Scientific Management	Stakeholder Management

Businessmen had historically treated worker relations as an extension of authoritarian family relations and their religious values. The emergence of scientific management alongside of IWB and the influence of management scholars such as Frederick Taylor accelerated adoption of new management philosophies that challenged paternalism as the preferred *modus operandi*. "Moral" supervision gave way to a rationale of efficiency (Crawford, 1995). Wealthy and well-established firms reacted to IWB by implementing worker betterment programs to address competition among firms, stabilize their workforce, and as disincentives for government intervention. Monetary rewards were used to deter union activity and avoid European-style craft unions (Crawford, 1995). Emphasizing good works as economically rational and notions of Christian stewardship laissez-faire individualism began to replace paternalism. Allocation of benefits and profit-sharing to stabilize workforces remained uneven, but the seeds of change were being sown (Jacoby, 1997).

W. M. RITTER: THE PRINCIPLE OF SERVICE

W.M. Ritter responded to the turmoil of the early 1900s by encouraging his superintendents to look at business differently. In his 1920 book titled *The Lumber Business*, Ritter cautioned his employees that "Old creeds and old faiths are being discarded; they do not conform with new experiences; they do not satisfy the new aspirations… so there must be new ideals set up in the minds of the business men" (p. 8). He noted that "the time and the circumstances are opportune for adjusting, protecting and assuring the rights and interests of employer and employee – of industry and labor – by the application of broad, humanitarian, democratic business policies" (p. 9). Though all workers were not convinced of Ritter's sincerity (Reedy, 1983), there is no documented evidence that life in Ritter's towns was strongly impacted by the worker violence characteristic of nearby company towns. Furthermore, there is some documented evidence in letters, court case, and employee newsletters that Ritter was committed to industrial betterment and to implementing change consistent with his principle of service.

Letter to Supervisors. Ritter's commitment to the ideas of service to employees and other stakeholders appears to have gone far beyond that required by law. In a 1916 letter to district superintendents, Ritter instructed superintendents on relations with workers, suppliers, competitors and the community (Lea, 2001). His instructions to the supervisory team echo values that would surface 50 years later in Greenleaf's 1970 essay "The Servant as Leader" and in Freeman's articulation of Stakeholder Theory (Freeman, 1984).

> You will, of course, recall that I have repeatedly discussed with you, and each of you, two things, which are of paramount importance in the conduct of the business of our company. First: The attitude of our company towards its employees, and Second: The attitude toward those with whom it transacts its business…The success of this company depends, to a large extent, upon the enthusiastic and loyal support of its employees. …The welfare, happiness, and comfort of your men must always be uppermost in your mind…In addition to the human side of such treatment to your employees, it pays, for men will work

> better and accomplish more if they are comfortable, happy and well fed, and the nearer you can come to securing the good will of your men and their loyal support, the better results you will secure from their work… (T)he success of our business is greatly affected by the service we get from the railroads at our different plants. We are absolutely dependent upon them; we are in their power, and some railroad men are inclined to abuse the power they have over the shippers…(I)t has been our experience that we could make friends with them if we treat them in a broad liberal way…(I)t is important for you, at all times to establish good relations with such companies. … You should be neighborly and accommodating in your dealings with them. In other words create good feeling… In the third place, (and most important of all relations with outside parties), is your dealing with citizens in your locality…(Y)ou should secure their confidence. This can be done by dealing frankly, fairly and liberally with them.

The Peonage Case. Ritter's ideas were articulated during a time when business, government, and society were struggling to better understand how society should be organized in the newly evolving industrial society. The courts were looking closely at violations of current laws and the constitutionality of new laws. Companies operating in the extraction industries were frequently the focus of these court actions. For example, in 1907, Ritter pled guilty on behalf of his company to peonage, i.e., use of laborers bound in servitude because of debt (*Merriam-Webster,* n.d.). Charges were brought on behalf of laborers recruited from northern cities and transported to West Virginia to build railroads. Workers were expected by companies to repay costs associated with their transportation to the region. The laborers were often poor or non-English speaking immigrants. In the Ritter case, the US Attorney General reported the following:

> The white workmen were held in peonage on railroad work in the southern part of the State. They were guarded night and day by mountaineers, and two of those who escaped were caught by a young railroad watchman named Hatfield, who wounded one in the face with a blow with his pistol and tied the two with a rope and brought them back by train. In court, at the peonage hearing, Hatfield produced what he claimed to be a warrant sworn out by one Blankinship charging the two men with defrauding the Ritter Lumber Company, but the man in charge of company's business (Wolfe), who admitted holding workmen under guard and sending after them when they escaped, testified that he did not know Blankinship…In that case Mr. Wolfe said he was not aware that it was against the law to do what he admitted doing, and much was said of the "absconding-debtor law" as justifying his conduct. He had never heard of the peonage statutes and evidently knew little of the thirteenth amendment (Report of the Attorney General, 1907, p. 212).

The peonage case brought against Ritter Lumber Company was part of a larger national debate on transportation of workers (especially foreign non-speaking workers) from northern cities to the mountains where the shortage of labor for building railroads was severe (Cases of Peonage, 1907). U.S. Marshall D. W. Cunningham reported that his investigation into the Ritter case revealed problems "with respect to cruelty of the guards who brought workers back to pay off cost of the initial transportation to the work site." The job of recruitment was outsourced to companies such as the Southern Immigration Bureau (Cases of Peonage, 1907). There is no evidence of additional charges of this type being brought against Ritter.

The Book. Shortly after the peonage case was settled, Ritter's philosophy on business operations were written and articulated to employees. It was expressed as a "principle of service". The principle was not a moral or religious statement; it was instructions to employees on how business should operate. In 1920, Ritter published these instructions as a book titled *The Lumber Business: Organization-Production-Distribution: Operations and Comments on Efficiency and Service*. Ritter was well-read and greatly influenced by the works of business writers of the day, including Sheldon, Taylor, Emerson, and most importantly, E. St. Elmo Lewis, formerly an advertising executive, a VP and GM at Art Metal Construction Company, to name only a few positions. Lewis wrote *Getting the Most Out of Business: Observations of the Application of the Scientific Method to Business Practice* (1915, 1917), one of the most widely-circulated business books of its time. The book was published in six editions and translated into French. Ritter's approach to operations and the language of his instructions to employees are attributable directly to Lewis.

In the forward of his book (1920), Ritter stated that he "aim" of his company has always been

> to square its actions with a rule of justice; to deal fairly with everyone, whether employees or the public, customers or competition. Indeed, its aim has been more—it has been its purpose to pursue this policy in a broad-minded, liberal, if not indeed benevolent spirit. If in actual accomplishment, it has fallen short of these ends, it has resulted not from the lack of an ideal of service, but from the frailty and imperfection of human agencies (p. 3).

The company's purpose was "to conduct its business upon the *principle of service"* (pp. 46-47). Ritter believed that the principle would render efficient service with efficiency defined as "doing the right thing in the right way, at the right time, all the time". Ritter emphasized that the "policy contemplates that everyone with whom we have business relations – employees and customers – shall have the maximum of satisfaction, for this is good business." He saw the interest of the seller and buyer, and of the employer and employees as identical and "so intimately united and inter-related that nothing can be ultimately beneficial to the one, which is injurious to the other" (pp. 46-47). The purpose of business was not to be the most competitive of lumber companies. Instead, he emphasized co-operation over competition. He wrote that "(i)f you deal with a person in the spirit of competition, you seek to get the most for the least; by applying the spirit of co-operation, you seek to find the need, and then to render the most perfect service in filling the need" (p. 46).

The principle of service and the rendering of efficient service was described for all Ritter operations, from sawmills to commissaries, i.e., company stores. For example, Ritter wrote that the management of the commissary "should be true to the idea of principles of service, should make a reasonable profit (i.e., fair margin of profit)", should provide "thoughtful, efficient service, taking into consideration the needs and requirements of those being served" and "the greatest value at the lowest reasonable costs." Preference should be shown for the "durable article which costs less and last much longer over higher-priced articles that will last for a shorter time." A store was an autonomous unit that "should justify its existence, and that should be prepared to make its business a success…independent of the rest of the company's enterprises – such should be its efficiency and scientific attention to the needs of its patrons, and its ability to serve and to adequately supply every reasonable requirement of the industrial community" (pp. 76-79).

Ritter passed on the responsibility for individual success and failure to his employees, cautioning them that "(t)he ability *to think right* is the greatest ability a man can have. If coupled with that ability he has *the power of imagination*, and the gift of *memory*, he is indeed fortunate. *Think, Imagine, Remember*. Thought is necessary to keep the mind active, imagination to give it vision, and remembrance is necessary in order to keep in the mind the mental picture of the imagination, so that they may grow, develop and become realities." (p. 108).

The Employee Newsletter. During the 1920s, the W.M. Ritter Lumber Company published a monthly newsletter –*The Hardwood Bark* -- for employees of the W.M. Ritter Company and Subsidiary Companies. The newsletters were published from 1921 until 1929. Each newsletter contained information on events at headquarters and in the company towns. The information in these publications shed a great deal of light on company town life, values, and issues of the times. Most importantly, the newsletters shed light on how Ritter's principle of service was communicated to employees and what Ritter expected of his supervisors. The information tended to group around two primary concerns -- Social Well-being, and Employee Well-being.

Social Well-being: Community Clubs, Healthcare, Education, and Child Labor

Community Clubs. Community clubs were important to the social-wellbeing of individuals working and living in isolated company towns. (Provision of company community clubs by many owners in many industries were not uncommon, though maybe more uncommon in Central Appalachia than elsewhere.) Ritter's clubs were intended "to promote a better social spirit and to provide entertainment through movie pictures and other theatricals, healthful athletic exercises, and to encourage the improvement of religious and educational activities and various forms of civic improvements which may be considered advisable by the Board of Managers" (*The Hardwood Bark*). The clubs were meant to be self-governing with employees instituting the activities. The successes of the clubs were widely reported in the newsletters to "promote a better social spirit". Activities ranged from Ladies Auxiliary Club events, to baseball teams (white and colored teams), club picnics (generally desegregated), and other similar social activities. The states in which the company towns located were by law segregated.

Healthcare. The goal of building "healthful athletic exercises" into the Community Clubs was a critically important initiative since many areas in which Ritter company towns located had no access to healthcare facilities. Locating doctors to serve the areas was difficult and keeping workers healthy was thus a high priority item. Ritter, like many business owners did accept responsibility for trying to bring healthcare services to the workers. For example, one newsletter article noted that the "isolated location of the W.M. Ritter Lumber Co.'s operations on Knox Creek made it imperative that provisions be made for treatment of both medical and emergency surgery, as well as accident cases." By the 1920s, Ritter had begun providing support for health care providers in this Commonwealth of Virginia community. The hospital's board included founder Dr. A. S. Richardson, the Ritter Lumber Company Division Supervisor and all other supervisors. Every employee enrolled in the plan at a cost of 50 cents per month if single and $1.50 if married. Non-Ritter employees were asked to pay a nominal fee to cover actual expense (*The Hardwood Bark*).

Education. The greatest benefit for future generations (i.e., the sons and daughters and grandchildren of Ritter employees) may well have been the company's focus on education. Ritter built schools when needed; this was consistent with practices around the USA. However, his passion for employee self-improvement through reading may not have been so common in Central Appalachian company towns. The development and use of a Circulating Library was routinely promoted in *The Hardwood Bark*. The newsletter noted that "(a)ssociation with men of keen intellect is not the privilege of many, but the reading of good books is denied to no one. To make it easy for you to obtain good books, our Circulating Library was established. Any book in our library (a list of which can be sent to you) will be mailed free of cost to any employee requesting it. The book may be retained for a period of thirty days – or longer if necessary" (*The Hardwood Bark*, 1924). The company identified a wide variety of books from which employees could choose, including H.G. Wells *The Outline of History*, James Morgan's *Abraham Lincoln, The Boy and the Man*, and Henry McKee's *The ABC's of Business*. Excerpts of these and other books were printed in *The Hardwood Bark*. In an attempt to provide employees direction, a newsletter editor wrote that "(t)here is a great deal in knowing what to read. Too many people throw away their time and deaden their mental facilities by the reading of cheap, trashy, trivial books or magazines when they might be improving their minds and preparing themselves for better things by reading worth-while literature" (*The Hardwood Bark*). The efforts of W.M. Ritter Lumber Company to promote reading in an industry where many individuals were illiterate is worth noting.

Articles in *The Hardwood Bark* reported monthly on school activities, recognizing both students who attended the Ritter schools and those who attended public schools. Both white and colored students were educated. There is no documentation on what percent of children raised in these company towns completed high school, attended and completed college, or achieved their dreams through other venues. However, based on anecdotal evidence, the success rate may be surprisingly high for the children and/or grandchildren of those men and women who experienced life in Ritter's company towns. This is a topic worthy of future research.

Child Labor. Interestingly, the W.M. Ritter Lumber Company opposed passage of the National Child Labor Law (*The Hardwood Bark*). In his article "Child Labor", Ritter employee Landon Bell argued that the law would break down the Constitutional limitations that had been placed upon the Federal Government. Bell noted that "it must be clearly understood that, while we believe the effort to have a National Child Labor Law enacted is wrong, we do not believe in child labor. The Constitution left the control of that matter with the states, and there it should remain" (*The Hardwood Bark*). However, the company itself had an unusually strict policy for its time. First, they stated that "No person under 16 years of age shall be employed in any capacity whatever…This is our rule, rigidly enforced, regardless of the fact that in some states children of less age may be legally employed." For job applicants claiming to be ages 16-18, parents or guardians were required to provide affidavits substantiating the age of the applicant. Supervisors were instructed on how to handle requests for jobs from underage individuals or their parents. Implementation of this policy was apparently difficult, with Bell suggesting that "(o)ur observation is that parents are more to blame than employers where child labor prevails" and that employers must deny the request of parents that their children be allowed to work (*The Hardwood Bark*). Bell concluded his article by noting that "(a) business which finds child labor necessary to its success is on an economically indefensible foundation. It ought not to succeed". Unfortunately, due to Supreme Court rulings,

federal protection of children was not obtained until 1938, some decades after companies such as Ritter articulated policy that denied employment to children (Keating-Owen Child Labor Act, 1916).

Employee Engagement and Well-being

Town Meetings. Team work was encouraged in Ritter's company towns. *The Hardwood Bark* publicized monthly meetings of foremen, assistant foremen and understudies – similar to quality circles. Special announcements concerning meetings of employees encouraged participation.

> A great deal of interest is being shown in the meetings of foremen and key men which are being held monthly at all of our operations. While the plan of holding such meetings is not very old, the men are coming to realize more and more that they can get many benefits by attending and taking an active part. Many of them have found the opportunity in these meetings to present their ideas for improvements, and have found their suggestions were acted upon with interesting results… Furthermore…certain men…have…demonstrated their capacity by their profitable suggestions… We are going to publish some of the best suggestions made in these meetings … and photographs of the men.

Employee Training and Development. Employee training is not well documented, either in *The Hardwood Bark* or elsewhere, but there are oral references to lumber school (Reedy, 1983). In addition, articles appeared in *The Hardwood Bark* about safety of operations, fire prevention, and other efficiency issues. Employees were encouraged to develop their skills, and superintendents were encouraged to provide opportunities for employees as a means to accomplish the goals of developing and identifying employees that were capable of advancement. This was no small task, especially given that many men working in Ritter's company towns were poorly, if at all, educated. Still, the expectation that men should better themselves and that superintendents should support these efforts was communicated regularly through *The Hardwood Bark*: "Our superintendents and foremen realize that the W. M. Ritter Lumber Co. can be no better and can progress no faster than the men of which it is composed, and the development of their men is their first consideration. All else is secondary, for they realize that if they have the "RIGHT MAN in the RIGHT PLACE every other problem will take care of itself." Though laborers interviewed by Reedy (1983) suggest that this slogan was not their reality, the empowerment of supervisors and foremen should not be discounted as trivial; it appears to represent a change in how businessmen approached operations.

Employee Benefits, Compensation and Hours. Little was said in *The Hardwood Bark* about employee compensation or benefits. No verifiable documentation of wages, pensions, and other programs related to compensation were found. In contrast, much publicity exists concerning Ritter's decision in 1924 to share with employees and friends $3 million in Ritter company stock (an irrevocable trust which included 12,500 shares of stock). Of the 124 individuals named, 94 were officers and employees located in 12 states and 3 employees in the UK Liverpool site. While seizing the opportunity to take advantage of new tax laws, the gift was unique in that it was given during Ritter's active involvement in the company; other businessmen had given away property, but this occurred mostly after retirement. No strings were attached to Ritter's gift; wealth attached to the stock was for the individual to keep, whether or not the individual remained with the company. US President Coolidge wrote to Ritter: "I have been very much interested in reading of the fine thing you have

done for those in your employ at Christmas time. Such acts of generosity cannot help but lead to better cooperation and understanding between the employers and employees, and you are to be commended for the fine example you have shown" (*The Hardwood Bark*).

Ritter also provided an employee pension plan but details are sketchy as to when and where the plan was implemented. By today's standards, the plan was likely limited but typical of many plans offered during the early 1900s. Early pension plans were not protected; "employers felt little pension obligation to any employee who did not stay alive, stay well, and stay put until retirement…If he quit or was discharged, he probably received nothing" (Greenough & King, 1976, p. 154). The plan did not guarantee an acceptable level of living in retirement by today's standards.

The only evidence uncovered about wages and hours in Ritter's company towns was anecdotal; it could not be verified. Furthermore, wage and hour surveys were not conducted in the lumber industry during the early 1900s, and so it is difficult to discern what wage expectations should have been. The available information on Ritter's wages is frequently based on laborer's memories and stories of perceived exploitation (Reedy, 1983). There is little consistency from story to story and from source to source. It is evident that Ritter employees complained about wages at a time when wages were low in the industry and in the nation in general. In 1900, per capita income was $4,200 in 1999 dollars with the average hourly pay in manufacturing production about $3.80 in 1999 dollars (Fisk, 2003). The average workweek in 1900 was 64 hours for industries surveyed. However, it was not until 1918 that wage and hour surveys were expanded to cover a substantial number of occupations in 28 industries. There is no contesting that workdays in the lumber industry were long. On a positive side, most stories from laborers who worked for Ritter during the 1929 Depression report that "the company was good about keeping as many employees working as possible" even though demand for lumber was low (Reedy, 1983).

DISCUSSION

Did Ritter's service principle for guiding decision making among his managers support early IWB initiatives? IWB initiatives were intended to reach beyond the confines of that required by the legal system to improve the lives of workers and their families in a world being industrialized. The evidence suggests that Ritter went well beyond what was legally required to better the lives of his workers, their communities, and to establish good relations throughout the industry's value chain. He appeared to differ from other businessmen of his time in that, while he wanted workers to feel like family, he didn't appear to be especially paternalistic. He was all about implementing a principle of service that would create efficiencies in his organization. However, the true test of whether IWB initiatives were supported is outcome. The evidence from the 1920s suggests that Ritter performed well. He provided amenities for his workers that were not commonly found in company towns in Central Appalachia, amenities that carried with them benefits for future generations (e.g., a circulating library, a community and workplace that valued engagement, medical care, and schools with equal access, none of which were required by law). During the early 1920's, a Property Inspector (name unknown) noted the unexpected quality of life in the towns and camps during the early 1920s (*The Hardwood Bark*, 1922):

> You have gone further toward permanent construction of your plants and comfortable homes and recreation centers for your employees and their families than I have observed in any hardwood industry I have every investigated ... and if I had any criticism to make, it would be that possibly you have gone further in this direction than the temporary nature of this business would justify… I had the occasion to stop at a number of your logging camps. I have visited many camps of this kind in the hardwood industry, but never have I seen them so completely equipped with facilities for the comfort of the woodsmen as in your camps. In such places I have been accustomed to eat my food from tin plates, with steel knives and forks, and drink my coffee from tin cups. In your camps I found china and silverware, and the food of excellent quality and variety and most appetizingly prepared and served; and the sleeping quarters and club cars neat, clean and most comfortable. And when I came to turn in at night prepared to roll myself in a blanket (as I had been accustomed to do in camps of this kind) I was surprised to find (and I assure you to thoroughly enjoy) sheets and pillow cases and most comfortable beds…But what impressed me most of all – more than the stand of your timber and plant facilities – was the wonderful enthusiasm and loyalty that permeates the personnel of the organization of your Operating Department. The atmosphere about your plants really seems surcharged with the spirit of helpfulness, the spirit of service and the spirit of loyal support. I did not hear a discordant note, a single criticism of the management or a complaint of any kind. I do not hesitate to say that I have never observed such fine esprit de corps in any industrial organization that I have ever investigated.

Can revisiting research on company towns located in rugged and remote areas during the early 1900s help reduce a gap in our understanding of how CSR evolved? Ritter's principle of service clearly echoes E. St. Elmo Lewis's philosophy of service. Neither Ritter nor Lewis have been center-front in the discussion of CSR. In fact, though Lewis's book was widely read during its time, his philosophy of service and its influence on business owners like Ritter is rarely acknowledged in management studies. From a broader perspective, we believe that this represents a gap in our understanding of forces leading to the emergence of CSR and that this in turn represents an opportunity to research materials that can help us better understand CSR evolution. Considered from a narrower perspective, we believe that the application of the principle of service in the rugged and isolated areas of Central Appalachia is itself remarkable. Central Appalachia was not highly visible to the public; there was no outside force forcing Ritter to implement his ideas of efficiency and service. What happened in his company towns appears to be a reflection of Ritter's larger vision of what creates efficiencies that benefit a business and promote ongoing success. We believe that this commitment to service represents the spirit of what has become to be known as CSR in a way that has been unrecognized and that is deserving of further research.

It also appears that common themes between the IWB movement and CSR can be identified through the study of company towns. For different reasons, many business owners of company towns responded to the IWB movement by implementing programs that created a path for the evolution of CSR. Worker benefits now guaranteed legislatively grew out of efforts among these businessmen to reengineer the new industrial society. Unfortunately, the benefits and protections realized by US workers are not found globally; extreme worker exploitation is in fact a reality in parts of the world. Many of today's stories parallel the stories of worker exploitation in Central

Appalachia. The vision and "invisible commitment to service" of early business owners such as Ritter who operated in this region and outside the vision of the public may hold lessons for how businessmen in the "new company town" should address today's problems. Like subsistence markets in developing economies, business operations in 20th century Central Appalachia were more relational (i.e., based on social norms) than in other regions of the USA. Corporations unfamiliar with the participative, inclusive, and equality principles (i.e., relational principles) that guide relations in Central Appalachia have found themselves to be unwelcomed guests when attempting to do business in the local Appalachian markets. A similar dynamic is being observed as researchers try to document current business dynamics in poor, subsistence markets in developing economies, especially where companies are creating modern work communities that are similar in some regards to the "company town" of the 1900s (See Subsistence Marketplaces Initiative, n.d.).

Following his death and sale of Ritter Lumber Company to Georgia-Pacific in the 1960s, many company towns in Central Appalachia were abandoned. The mountains reclaimed the areas that were once inhabited by workers, even those towns that had been in existence for more than 30 years, some as long as 60 years. On one hand, critics could argue that for every town that left a positive legacy, company towns provided no visible benefit to Central Appalachia, either with respect to economic, human or social wellbeing or environmental integrity (Gaventa, 1980). Left with little or no tax base to help fund schools, health care or job creation, the area was transformed into a "third world country located within the USA (Nyden, 1979). On the other hand, the forests are vibrant and still represent one of the most ecologically diverse regions in the US. This is a resource worthy of protection. While the outcomes of commerce in regions with a prevalence of company towns supporting timber extraction suggests the creation of societies that were not sustainable – economically, socially, or environmentally, one could argue that creation of economically sustainable communities was never the goal of company town owners and that the return to an ecologically diverse and protected forest is the better use of these lands.

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CSR & Performance

Corporate Social Performance Assessment: Stakeholder's Perspective on a Multidimensional Approach

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Abstract: Corporate Social Performance (CSP) is an important construct in business-and-society study field; yet there is a mismatch between theoretical and empirical research. This article aims at contributing to solving this problem by presenting a methodology for CSP assessment that builds on CSP theoretical grounds promoting a combined analysis of the three CSP dimensions, describing: a) motivations that lead companies to assume social responsibilities (CSR principles); b) their posture towards these responsibilities (processes of responsiveness); and c) effects of corporate actions on stakeholders (policies, programs and social impacts), from the stakeholders' point of view. The proposed methodology is a comprehensive tool that shall provide useful insights for academia, companies and stakeholders about business-and-society relationships. Besides, it can contribute to validation and refinement of the CSP construct.

Keywords: Corporate Social Performance (CSP); Corporate Social Responsibility (CSR); Assessment; Stakeholders

INTRODUCTION

Corporate Social Performance (CSP) is an integrative construct that combines aspects of other constructs, such as Corporate Social Responsibility, Corporate Social Responsiveness and Stakeholders Theory. Carroll (1979) articulated the first CSP model which became very popular among business-and-society scholars, some of which have revised, refined and expanded the model. However, despite CSP longevity and relevance, theoretical developments are still not adequately or sufficiently reflected on researches designed to assess CSP. Part of the problem relies on the fact that few scholars have developed assessment tools directly derived from CSP models, a "more scientifically coherent logic" (Gond & Crane, 2008, pp. 685–686). Besides, despite CSP model's multidimensional nature, many researchers operationalize a CSP dimension or aspect and discuss the results as if they had operationalized the concept as a whole (Collins, 1992). Finally, CSP has been primarily used to evaluate the effects of corporate behavior on corporate themselves and not over society, as would be more coherent with the construct's original moral underpinning (Wood, 2010).

In order to overcome the mismatch between theoretical and empirical researches, prominent CSP scholars suggest a reorientation of empirical researches by: a) using CSP conceptual models as a

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guide for research design, especially in multidimensional approaches (Agle & Kelley, 2001; Mitnick, 2000; Wood, 2010); and b) adopting multi-stakeholders approaches to CSP assessment, focusing on the effects of corporate behavior on stakeholders (Carroll, 1999; J. Mahon & Wartick, 2012; Wood & Jones, 1995; Wood, 2010).

In this context the present article poses the following question: how stakeholder's perspective can be incorporated in a CSP multidimensional assessment? The answer comes as the proposition of a new CSP assessment methodology. So, in addition to this introductory content, the article develops as follows. The first section presents the literature review that embodied the methodology proposition, starting with the description of CSP conceptual models. Then the article critically analyses the usual measures and approaches used on CSP empirical researches, highlighting its limitations. The review section is concluded by presenting new directions for empirical research that aim at overcoming the identified limitations. The following section presents the proposed methodology itself explaining its development process and describing its main features. The last section of the article presents the final remarks of the study, highlighting the methodology's usefulness and limitations, and presenting suggestions for future studies.

LITERATURE REVIEW

CSP Conceptual Model

The theoretical developments of CSP relies on a conceptual model that describes business-and-society relationships through three dimensions. The first version of the model was proposed by Carroll (1979), who articulated and integrated in a cube the three dimensions he considered fundamental to CSP: CSR, CSR2 and Social Issues. The responsibility dimension is represented by four categories (economic, legal, ethical and voluntary), which are not mutually exclusive, cumulative or additive. These categories represent different motivations that lead companies to engage in social issues (Wood, 2010). Carroll's (1979) responsiveness dimension is represented by four categories which reveal the response strategy related to social issues and responsibilities (reaction, defense, accommodation and proaction). The third dimension comprises the social issues faced by companies (consumption, environment, discrimination, product safety, occupational safety and shareholders), but the author did not undertake many efforts on defining them, claiming that they vary contextually and temporarily.

CSP model was refined and revised by Wartick and Cochran (1985), Wood (1991) and others. However, Wood's (1991) version of CSP model is recognized as the most comprehensive even by Carroll (1999). Wood's CSP model features new content to the three dimensions. The first one describes the CSR principles that should motivate businesses to take actions to meet society's expectations at institutional (Principle of Legitimacy), organizational (Principle of Public Responsibility) and individual (Principle of Management Criteria) levels. The responsiveness dimension includes management processes needed for implementing CSR principles: Environmental Assessment, Stakeholders Management and Issues Management. The third dimension comprises the model outcomes, i.e., corporate behavior effects: social impacts, programs and policies. Carroll (1999) points out for the importance of the outcomes consolidation as a CSP key element.

Wood and Jones (1995) presented new contributions to the construct. The authors state that CSP should be understood within a stakeholder-based theoretical perspective in which stakeholders play

at least three important roles: 1) source of expectations about corporate behavior; 2) experiencing effects of such behavior, and 3) evaluating how well companies achieved the expectations and/or how their behavior affects groups and organizations in their environment. As source of expectations, stakeholders establish standards for corporate behavior by providing normative content to CSR principles. By experiencing the effects of this behavior, stakeholders are affected by and affect the company through the processes of responsiveness, crossing two model dimensions: processes and outcomes. While evaluators, stakeholders make judgments about their experiences, about other stakeholders' experiences and about corporate behavior effectiveness to meet stakeholders' expectations. To fulfill the evaluator role, stakeholders assess CSP model outcomes, providing feedback to principles and processes. In short, stakeholders define the standards for corporate behavior (CSR principles) and are affected by this behavior (processes and outcomes), making judgments about this experience (outcomes evaluation) and on expectations fulfillment.

Carroll (1991) revisited the CSR dimension by renaming the voluntary category to philanthropy and organizing the four categories into layers in a pyramid shape (it was a tall rectangle on the original model), emphasizing the relative attention given by managers to each category (economic, legal, ethical and philanthropy, respectively). This approach was criticized by some authors, including Kang (1995), who observed that when driving more attention to economic responsibilities, managers could easily justify the violation of ethical and even legal responsibilities on behalf of profit (it is noteworthy that Carroll has always denied this interpretation). Furthermore, Kang (1995) stated that philanthropy should not be considered a CSR category, as its voluntary nature would disqualify it as a mean to legitimize business performance.

In response to these criticisms, Carroll, also in partnership with a colleague, presented a new approach to CSR dimension. Philanthropy was suppressed and the remaining categories were represented as interdependent circles, showing that all corporate actions, including philanthropy, may be motivated by a mix of economic, legal and/or ethical interests (Schwartz & Carroll, 2003).

Empirical Research: CSP Assessment

CSP models provide conceptual and analytical frameworks from which CSP evaluation can be performed. The operationalization of these models involves defining the research approach and the measures to identify the stage of progress towards more responsible business-and-society relations.

Usual measures adopted in CSP empirical research. The measures commonly adopted in CSP assessment researches were classified by Decock-Good (2001) into five categories, according to their content, type of data collection or data source: i) reputation measures; ii) pollution indexes; iii) measures based on the content of corporate reports; iv) social rating agencies measures; and v) measures obtained from questionnaire-based surveys.

Measures that assess companies' reputation are among the first used by researchers to assess CSP. Usually they are indexes or rankings of the best and worst companies in terms of some aspect of CSP. The problem is that they reflect only the perception of their evaluators. Fortune 'Most Admired' rankings, one of the most used, are based on the opinion of financial and business communities' members. In this case, according to Wood (1995), it would be equivalent to asking the foxes if they are taking good care of the henhouse. Thus, it should not be used as a true CSP

measure but as an indicator of a firm's reputation among financial and business communities. Another limitation of reputational measures is the restricted universe of evaluated companies.

In the late 70's, American companies' pollution indexes began to be published, being used by various CSP studies. Pollution indexes are of great importance for CSP study, but their accuracy can be questioned, since many data are self-reported and may be based on emissions estimates rather than current monitoring (Wood, 2010).

More recently, several studies have adopted measures based on the content of corporate annual reports. According to the Global Reporting Initiative - GRI, the most popular guide for disclosure of corporate performance, the reports should contain relevant information about the organization's positive and negative impacts on the environment, society and economy (GRI, 2013). Although these informations are relevant to CSP assessment, the lists of indicators cannot be directly related to the model's dimensions. Igalens and Gond (2005) reminds that the reports' publication is voluntary, data are self-reported and companies can select the aspects disclosed. In practice that often leads to low materiality on stakeholders perspective (Adams, 2004).

Measures generated by social rating agencies (SRI) have also became popular among CSP scholars. According to Chatterji et al (2009), these agencies examine the past performance and current management practices that may influence future social and environmental performance of companies aiming at making social and environmental effects more transparent for stakeholders, especially investors. The main SRI database used on CSP research is generated by KLD (Kinder, Lydenberg, Domini Research & Analytics). It is multidimensional and assesses phenomena that can illustrate commitment to CSR principles, use of responsiveness processes and impacts on various stakeholders. However, the correlation between the data and CSP dimensions is not easy (Wood, 2010) because it was not built on CSP's theoretical framework (Gond & Crane, 2008). Besides it focuses only on large corporations, limiting their use within these companies (Gond & Crane, 2008).

The last type of measure are those obtained from questionnaire-based surveys. They seek to operationalize CSP model by assessing aspects related to its dimensions and are a reflection of perceptions of those who are consulted (Igalens & Gond, 2005). Perceptual measures, in general, are criticized for its subjectivity, but, as Wokutch and McKinney (1991) point out, any CSP evaluation is inherently value-laden. Actually, every performance measure that aims at reflecting the effectiveness of corporate activity, whether perceptual or not, is a reflection of individual values and preferences (Matthews, 2011). This does not decrease the value of these measures. For example, measures reflecting stakeholders' perceptions are useful for companies, which must make decisions considering such perceptions with their respective criteria and possible biases (Mahon & Wartick, 2005). Moreover, the reliability and validity of perceptual measures can be verified. Ketokivi and Schroeder (2004) conducted a study using data from a survey with managers, concluding that perceptual measures of corporate performance minimally meet the reliability and validity criteria, however the authors suggest the avoidance of single informants.
Finally, each type of measures commonly adopted in CSP empirical studies has its own features and limitations, which must be considered in the design of new research and in the analysis of its results.

Usual approaches to CSP empirical research. There are several ways to evaluate organizational performance from the CSP perspective; however, the most common approaches to CSP empirical

research have several limitations. First, although CSP is a multidimensional construct, many researchers operationalize a CSP dimension or aspect and discuss the results as if they had operationalized the concept as a whole (Collins, 1992). Carroll (2000) alerts that if the study is only measuring environmental performance or philanthropy or reputation, for example, it should not be called CSP. This approach does not help, and even hinders, the validation of the construct, because it lacks theoretical consistency.

The aggregation of multiple measures is also a common approach in CSP empirical studies. The company receives a single score that represents its CSP, calculated from a set of measures that represent various aspects related to its principles, processes and outcomes. According to Rowley and Berman (2000), this may be an attempt to circumvent the shortcomings of studies that adopt one-dimensional measures, but it requires the assignment of weights to the evaluated aspects, which can also be questionable. Mahon and Wartick (2005) argue that even if there was some consensus on the weights of each aspect, there would still be trade-offs between performances in different aspects and it would make no sense to imagine that a good environmental performance can offset low wages or job insecurity, for example; at least not from the employees' point of view. Actually, both performances have something to say about the company's CSP and combining them does not provide useful information for the company neither for stakeholders. Therefore, they propose that performance measures should be developed specifically for each one of multiple stakeholder groups.

Another common and problematic approach identified in CSP empirical studies is the attempt to relate CSP and CFP (Corporate Financial Performance). These studies, by far the most numerous in the literature, have not reached consistent conclusions, either because of theoretical or methodological problems, or both (Collins, 1992; Perrini, Russo, Tencati, & Vurro, 2012; Ullmann, 1985; Wood & Jones, 1995). Besides this approach has an implicit orientation to evaluate the effectiveness in meeting the expectations of only one stakeholder group composed by shareholders, investors and owners (Wood & Jones, 1995).

New Directions for CSP Empirical Research

Aware of CSP empirical literature limitations, prominent scholars point to new directions for the area. Mitnick (2000), Agle and Kelley (2001) and Wood (2010) suggest that empirical research designs are guided by CSP conceptual models, because the measures validity depends on the degree to which they operationalize conceptual constructs. In addition, the authors emphasize that CSP is a complex phenomenon, described by three interconnected dimensions; therefore, CSP assessments should consider all dimensions performances and seek to reveal how they relate to each other.

The incorporation of multi-stakeholder approach is another recommendation considered critical to the future of CSP, especially with emphasis on the effects of corporate activity on stakeholders (Carroll, 1999; Mahon & Wartick, 2012; Wood & Jones, 1995; Wood, 2010). The focus on various stakeholders assists in redressing the course of CSP, drawing attention to the effects of corporate behavior on society, what makes the construct more consistent with its basic idea of discerning and evaluating impacts of business-and-society relations (Wood, 2010). Furthermore, this approach is aligned with the environmental plurality in which businesses operate and can provide the foundation for companies to integrate ethical values with their economic mission (Carroll, 1991). Finally, the

stakeholder approach also favors CSP operationalization, because Stakeholder Theory's terminology is more accessible to business managers (Clarkson, 1995).

Another approach consistent with CSP theoretical developments is the involvement of stakeholders in the evaluation process. Keeble and Berkeley (2003) suggest that stakeholders' expectations regarding the organization be identified through dialogue, while Mahon and Wartick (2005) propose that stakeholders evaluate the CSP, according to their own criteria, for each aspect of their interest. However, this approach is rarely adopted, even by its supporters. These authors recognize the potential of a direct consultation with stakeholders to produce analyzes of great interest, but due to data access difficulties and research objectives, they used other sources of data.

A few empirical studies have already adopted some of the suggestions here presented and shown a large potential to promote more meaningful CSP evaluations, such as those developed by Mahon and Wartick (2005), Longo et al (2005), Maignan, and Ferrell (2000), Clarkson (1995) and Collins (1992). This article joins these efforts combining some of their aspects with others to propose a methodology that reflects stakeholders' perspective on CSP in a multidimensional approach.

THE PROPOSED CSP ASSESSMENT METHODOLOGY

The basic premises that guided the proposition of the methodology seek to explore possibilities and overcome typical limitations identified in the literature review of theoretical and empirical CSP research. Then two steps were taken: i) establishing a conceptual analytical framework directly derived from CSP models, from here on referred to as "CSP framework"; and ii) defining the methods for operationalizing CSP assessment based on that framework.

Methodology Premises

Corporate Social Responsibility is considered a socially constructed concept determined by environmental factors, prevailing values and customs of society; and society's expectations regarding organizational behavior (Carroll & Buchholtz, 2011; Dahlsrud, 2008; Sethi, 1979). Company's responsibilities go beyond the generation of products, profits, jobs and taxes (Dodd, 1932), and encompasses both 'doing good' and 'avoiding bad' to society (Lin-Hi & Müller, 2013).

The second assumed premise is related to the notion of CSP as a system that describes business-and-society relations through three interconnected dimensions relating organizational motivations (CSR principles) to deal with social issues with the respective actions (responsiveness processes) and effects on society (outcomes: social policies, programs and impacts). This notion builds on the dimensions of Wood's (1991) CSP model, a more evolved stage of the construct (Carroll, 1999). CSP evaluation must comprise all three "CSP framework" dimensions and evidence the relationships between them (Agle & Kelley, 2001; Mitnick, 2000; Strand, 1983; Wood, 2010).

Social issues are thematic areas related to CSR/CSP, i.e., social aspects that companies deal, or should deal with (Carroll, 1979). These aspects reveal the themes about which stakeholders' set expectations. That is, social issues can be translated as Stakeholder Issues (SI) (Clarkson, 1995). Stakeholders may set expectations on innumerous issues, even some that do not affect themselves (Wood & Jones, 1995). In the name of applicability, only the issues that directly affect each group

will be considered a Stakeholder Issue. However, different stakeholders may be affected by the same issue. In that case, the issue must be present at the Stakeholder Issues' list of each group.

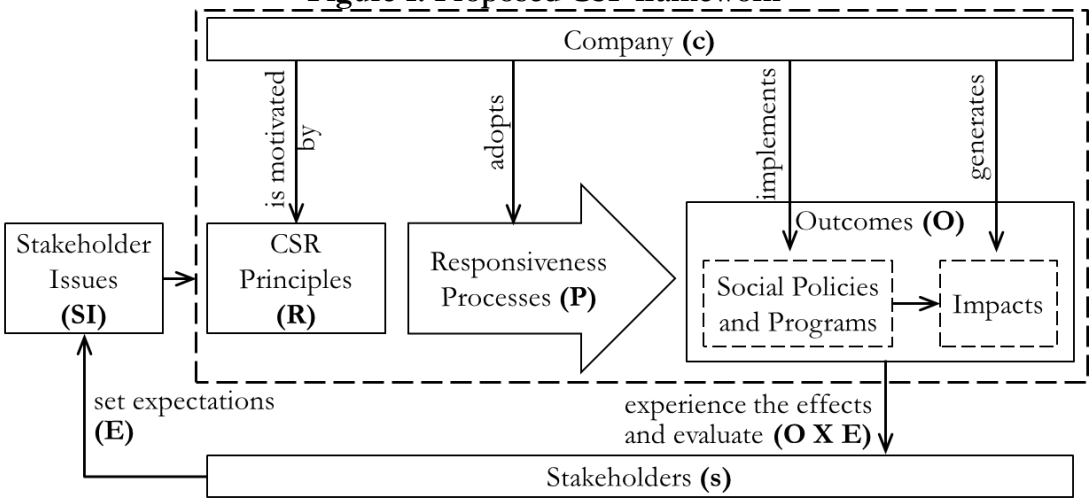
That simplification shall facilitate the inclusion of multiple stakeholders perspectives on the assessment (Carroll, 1999; Mahon & Wartick, 2012; Wood & Jones, 1995; Wood, 2010) and the involvement of stakeholders themselves in the evaluation process (Keeble & Berkeley, 2003; Longo et al., 2005; Mahon & Wartick, 2005; Maignan, Ferrell, & Ferrell, 2005). Besides, it will give a picture of the effects of corporate behavior on each specific group.

Based on the previous premises and on Wood and Jones (1995) propositions, it was assumed that stakeholders perform the following roles: i) establishing expectations about corporate behavior; ii) experiencing the effects of such behavior; and iii) evaluating the effects of this behavior by confronting their experiences with their expectations.

Framework for Corporate Social Performance Assessment – "CSP Framework"

According to the proposed "CSP framework" (Figure 1), Stakeholders (s) set expectations (E) regarding Stakeholders Issues (SI) that affect their own groups, defining the organizations' behavior standards for socially responsible companies. Companies (c), motivated by CSR Principles (R), adopt Responsiveness Processes (P) in order to implement social policies and programs that address social impacts affecting its stakeholders (Outcomes - O). In turn, stakeholders (s) judge the organizational behavior confronting their expectations with the way they feel affected by policies, programs and social impacts (O X E). This process of experience and evaluation influences stakeholders' future expectations, providing feedback to the CSP system.

Figure 1: Proposed CSP framework



"CSP Framework" Operationalization

Stakeholders (s). The selection of which stakeholders will be considered on a CSP study is a critical factor and there are several ways of establishing "who matters" in a specific context. Two groups

were selected (suppliers and customers) as a mean to illustrate the proposed methodology features, but other groups may be included during applications.

Stakeholder Issues (SI). Stakeholder Issues (SI) are determined at stakeholders-firm level. However, the literature, both conceptual and empirical, present various lists of typical issues related to stakeholders. We chose to build on the literature as a starting point for the identification of relevant SI considering that during applications the SI lists must be validated and, if necessary, adjusted to the analyzed context.

The definition of each SI was based on seven studies that present lists of CSP/CSR determinants (Clarkson, 1995; Longo et al., 2005; Macêdo & Cândido, 2011; Maignan, Ferrell, & Ferrell, 2005; Papasolomou-Doukakis, Krambia-Kapardis, & Katsioloudes, 2005; Spiller, 2000; Turker, 2008). The determinants contained on these studies were organized by stakeholder, treated and reorganized, resulting in lists of corporate practices that directly affect each group and are typically related to good CSR/CSP. In this process, some of the determinants were combined, a few were excluded and even fewer were included. The goal was to obtain a list of variables that was not too long, what could hinder application, but that was comprehensive, consistent and complete regarding the main aspects that affect each group. Another criteria considered on the process was the ability that stakeholders have to express their expectations and to evaluate the performance related to the variables because they will be consulted about it. Finally, the variables were grouped by thematic affinity, resulting in tables of Stakeholder Issues and its respective variables for each group (Table 1).

Table 1: Stakeholder Issues and its variables

Stakeholder Issue	Variable
1. Suppliers	
1.1. Commercial relations	Development of long-term purchasing relationships
	Fairness on the terms of deals and contracts
	Fair prices and bills
	Compliance with terms of deals and contracts
	Fair and competent handling of conflicts and disputes
1.2. Suppliers development	Encouragement/support to improve products/services
	Encouragement/support to improve social and environmental performances
	Encouragement to provide innovative suggestions related to products/services supply
1.3. Suppliers selection	Use of local suppliers
	Inclusion of social and environmental criteria in the selection of suppliers
2. Customers	
2.1. Safety of products/services	Products/services that are safe to clients
	Transparency about risks involved on the use of products/services
2.2. Quality of products/services	Products/services of good quality and adequate to customers' needs
	Search for excellency on quality
2.3. Social and environmental impacts	Products/services that are socially and environmentally responsible
	Disclosure of social and environmental performances

Stakeholder Issue	Variable
2.4. Information on products/services	Information on products/services provided with transparency, completeness, preciseness, truthiness and usefulness.
2.5. Communication and relation	Good communication channels
	Fast and adequate response to comments and suggestions
	Fast and adequate response to complaints
	Focus on customer satisfaction
	Recalls

CSR Principles Dimension (R). The CSR Principles reveal the philosophical orientation of business interaction with society (Wartick & Cochran, 1985), i.e., refer to the motivations that lead companies to adopt responsiveness processes to deal with society expectations (Wood, 1991). Therefore, the assessment of CSR Principles (R) will be made in terms of what motivates the company to deal with Stakeholders Issues (SI), as proposed by Schwartz and Carroll (2003). According to these authors, companies undertake actions for various reasons, which can be classified into three motivational categories: economic, legal and ethical. The same action can be motivated by reasons classified into one, two or even three categories.

The data must be obtained by a survey with company managers. The research instrument must be constructed aiming at identifying the 'motivational mix' that leads the company to respond (or not) to each SI variable. It must adopt a forced-choice format in order to minimize social desirability bias (Acar, Aupperle, & Lowy, 2001).

Responsiveness Processes (P) Dimension. Organizational processes of social responsiveness involve methods and techniques for identifying, analyzing and developing responses to the society's demands and expectations (Ackerman, 1973), i.e., establish and implement policies and programs to address SI. These processes have a strategic nature, because managers decide if they recognize the responsibilities on the issues, if they will establish policies and social programs to deal with the issues and the content of these policies and programs. Thus, the Responsiveness Processes dimension (P) represents the organization strategic orientation on each SI and will be evaluated based on the RDAP scale (Reactive, Defensive, Accommodative and Proactive) proposed by Clarkson (1995).

Table 2: RDAP Scale (adapted from Clarkson, 1995)

Rating	Posture or strategy
1. Reactive	Deny responsibility
2. Defensive	Admit responsibility, but fight it
3. Accommodative	Accept responsibility
4. Proactive	Anticipate responsibility

As for CSR Principles, the Responsiveness Processes dimension assessment data must be obtained by a survey with company managers. The research instrument must be constructed with the same concern about social desirability.

Outcomes (O) Dimension. The Outcomes dimension includes social policies, programs, and impacts. Social policies and programs seek to eliminate, minimize and/or mitigate negative social impacts ('avoid harm') and to contribute to society welfare by maximizing positive impacts ('doing good'). Stakeholders experience the Outcomes effects and make judgments about them based on the expectations they establish regarding corporate behavior. The way stakeholders evaluate these experiences influence their future expectations and may change the SI considered relevant and/or the type of demands in relation to them, providing feedback to the CSP system (Wood & Jones, 1995). This view suggests that the CSP assessment reflects the expectational gap, i.e. the difference between stakeholders expectations and the judgment they make on the effects of corporate behavior on them (Carroll & Buchholtz, 2011; Clarkson, 1995; Griffin, 2000; Husted, 2000; Sethi, 1979; Zenisek, 1979). Therefore, the Outcomes dimension should be evaluated by a measure that reflects stakeholders' satisfaction.

That will be achieved based on the logic of SERVQUAL approach (Parasuraman, Zeithaml, & Berry, 1991), one of the most used approaches for the assessment of services quality in terms of differences between expectations and perceptions of consumers (Seth, Deshmukh, & Vrat, 2005). Although it has been developed to assess consumers' satisfaction, it can be used for other stakeholders and it is adhering to the roles that they play in CSP (Strong, Ringer, & Taylor, 2001).

Each stakeholder must have a survey instrument, composed by pairs of statements related to the variables of its respective SI. The first statement should evaluate the importance the stakeholder gives to the variable as a mean to measure its expectation placed on any company that operates in a specific industry; the second statement should evaluate stakeholder's perception about a particular company's performance regarding the same variable. Both sets of statements must use a unipolar Likert scale (ranging from nule to maximum notion), so that stakeholders' satisfaction on each variable can be calculated by the difference between the ratings of the pairs of statements (performance – expectation). Evaluating CSP Outcomes dimension by stakeholders' expectational gap makes clear the relationship between CSP and stakeholders and translates the underlying logic of CSP model (Husted, 2000). It also reflects the multiplicity of stakeholders' expectations and perceptions, outlining a dynamic and contextualized CSR concept (Beckett & Jonker, 2002).

Assessing CSP from the Proposed Methodology

Assessing CSP in a multidimensional approach involves the combined analysis of the three dimensions evaluations. Each dimension represents an orientation, has a meaning, the own assessment criteria and data provider. Table 3 summarizes these features, highlighting the general notion obtained from assessments performed from the proposed methodology.

Table 3: Summary of the proposed methodology's dimensions

Dimensions Features	CSR Principles (R)	Responsiviness Processes (P)	Outcomes (O)
Orientation	Philosophic	Strategic	Results
Meaning	Motivations to take responsibilities	Posture towards Responsibilities	Effects on stakeholders (social policies, programs and

			impacts)
Assessment criteria	Economic, Legal and Ethical	Reactive, Defensive, Accommodative, Proactive	Stakeholders satisfaction (expectational gap)
Data provider	Managers	Managers	Stakeholders

In the proposed methodology, the connecting thread that unites the three dimensions is the Stakeholder Issue's variable. Each variable will be assessed according to the three dimensions criteria. For example, 'Training for accident prevention' is a variable of the SI 'Occupational health and safety', related to employees. The evaluation of that variable on the Outcomes dimension is a function of the difference between how employees perceive the trainings provided by the company and the importance they give to that variable. Responsiveness Processes will be assessed according to the company's strategic positioning in dealing with that variable. For example, does the company provide only the accident prevention trainings legally required (accommodative posture)? Or it provides additional trainings (proactive posture)? Finally, CSR Principles will be evaluated based on what motivates the company to take this stance regarding the variable. A company that only fulfills the legal requirements might assume that posture because considers right to comply with the laws and because, if it does not, may be penalized (legal and economic motivations). And a company that assumes a proactive posture might do more than is legally required because it believes that investing on prevention does reduce accidents rate and that is good for business and for the employees (economic and ethical motivation).

The variables measures must be aggregated by Stakeholder Issue and the Stakeholder Issues measures must be aggregated by stakeholder. These results must be organized in a matrix (Table 4) that relates stakeholders to CSP dimensions evaluations, as proposed by Collins (1992).

Table 4: CSP assessment results matrix

Stakeholder Issue	CSR Principles (R)	Responsiviness Processes (P)	Outcomes (O)
1. Suppliers			
1.1. Commercial relations			
1.2. Suppliers development			
1.3. Suppliers selection			
2. Customers			
2.1. Safety of products/services			
2.2. Quality of products/services			
2.3. Social and environmental impacts			
2.4. Information on products/services			
2.5. Communication and relation			

This structured approach of CSP assessment offers the possibility to perform rich analysis on how the different motivations and strategic positions of companies generate satisfaction or dissatisfaction to stakeholders. It also favors the study of what Wood (1991) called as critical, but "politically difficult" results, such as high levels of satisfaction resulting from "bad" motives and/or "bad" strategies; and low levels of satisfaction resulting from "good" motives and/or "bad" strategies.

FINAL REMARKS

The proposed methodology builds on CSP conceptual literature, focusing on the effects of corporate behavior over stakeholders in a multidimensional approach. These features are adhering to the new directions for empirical research pointed out by prominent CSP scholars, contributing to the efforts of fulfilling the gap between theoretical and empirical CSP developments. However, for this contribution to become more significant, it is crucial to test the proposed methodology, which can be done through a case study involving a company and its stakeholders. The methodology application shall support analysis that contribute to a greater understanding of the relationships between businesses and its stakeholders, generating useful information for academia, companies and stakeholders.

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CSR and Performance

Competitive Strategies and Small Firms' Social Responsibilities

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Abstract: The literature has long addressed the question if corporate social responsibility (CSR) can help a firm differentiate from competition and reduce its costs of doing business, ultimately leading to a sustainable competitive advantage. These two possible CSR outcomes, differentiation and cost leadership, also represent the two paths that firms could take in their strategic pursuits. Despite this apparent synergy between a firm's strategic path and CSR, previous studies have not explored whether firm strategic choices have a bearing upon their level of CSR engagement. The present paper examines that question in the context of small US manufacturing firms.

Key words: cost leadership; CSR; differentiation strategy; small firms

INTRODUCTION

The notion of corporate social responsibility (CSR) has morphed over time into strategic social responsibility (McWilliams & Siegel, 2001) that encapsulates a variety of benefits that a firm may derive through responsible behavior and thus create competitive advantage. A large number of studies (Callan & Thomas, 2009; Revell & Blackburn, 2007) have proposed that CSR helps a firm reap numerous business benefits and recent work shows corporate managers also recognize the link between CSR and business benefits (Hockerts, 2015). While these benefits could manifest themselves in different ways, they ultimately aim at helping a firm differentiate from competition (McWilliams, Siegel, & Wright, 2006) and/or reduce its costs of doing business (Christmann, 2000). Fortuitously, these two potential outcomes of CSR, differentiation and cost reduction, have parallels in the strategy literature that considers them to be two major paths by which to seek competitive advantage (Porter, 1980). In this sense, firms could leverage CSR to achieve competitive advantage regardless of the strategy pursued (Miller, 1988; Spanos & Lioukas, 2001). As such, previous

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literature has highlighted the need for integration of CSR with strategy (Galbreath, 2009; Lamberti & Noci, 2012; Reinhardt, 1998), but has not explored whether a firm's choice of competitive strategy is associated with its level of CSR engagement. This paper seeks to fill that gap.

We chose to conduct this research on small firms because they represent a wider array of CSR motivations, from CSR as a community obligation (Fitzgerald et al., 2010) to CSR under strategic pressures (Lee, 2008). Thus, we believe that a small firm context allows us to maximize variation in the link between strategic choice and CSR. Also, because small firms exhibit different behaviors in community and environmental realms (Panwar et al., in press), we specifically examine how the two strategy dimensions affect small firm community and environmental engagement.

This paper makes two primary contributions to the CSR literature. On the one hand, it provides insights into how a firm's level of CSR engagement is associated with its strategic choice; and on the other hand, it enhances understanding about small firm social engagement that remains dwarfed by continued focus on large firms. We proceed as follows. We first briefly review literature about differentiation and cost-leadership paths to competitive advantage, and then outline key features of small firm social responsibility behavior. We then develop hypotheses about how relationships between competitive strategies and small firm social responsibility. Then we present methods, results, and conclusions.

THEORETICAL BACKGROUND

Competitive advantage through differentiation and cost-leadership strategies

Porter (1980) maintains that a firm's long term, above-average performance is based on its ability to achieve one of two basic types of competitive advantage, differentiation or low cost. Strategy scholars have approached firm strategic posture in two ways. Some take an anatomical view (Dess & Davis, 1984; Hambrick, 1983;) and consider differentiation and cost-leadership as two separate types of strategies. In sharp contrast, others (Gopalakrishna and Subramanian, 2001; Spanos, Zaralis and Lioukas, 2004) view cost-leadership and differentiation as two dimensions of a firm's strategy, and argue that in light of the dynamism and turbulence of contemporary business environment, firms should integrate elements of both strategies and thus pursue hybrid instead of pure strategies.

How CSR helps a firm in its differentiation pursuit is, for example, previously discussed in literature. Reinhardt (1998), for example, stressed the need to integrate environmental actions with overall strategy in order to harness the potential for product differentiation. Recently, Dangelico and Pujari (2010) concluded that CSR activities can help a firm develop a distinct reputation and image. Others, in a similar vein, have attributed CSR with a potential to contribute to product differentiation for which customers will pay a premium (Clemenz, 2010; Lin, Tan, & Geng, 2013.

In contrast to differentiation, in a cost-leadership focus a firm aspires to become the lowest cost producer in its industry through, for example, economies of scale and cost minimization in activities such as R&D (Porter 1980). Extant CSR literature has presented a multi-faceted view of the interplay between CSR and a firm's cost-leadership pursuits. Several studies have attributed CSR with a potential to reduce a firm's overall business costs (Epstein & Roy, 2001). While some have viewed CSR as a mechanism through which a firm could gain operational efficiency (e.g., waste management), others have considered how it could help a firm in reducing transactional costs

(Orlitzky, Siegel, & Waldman, 2011). Previous literature has not, however, considered whether firm strategic choices affect their CSR engagement, which in turn could indicate their proclivity to leverage CSR in their strategic pursuits.

Small firm social responsibility

Despite the enormity of both their impact on and contribution to social and environmental wellbeing, small firms have traditionally received much less attention than large firms in CSR literature (Lepoutre & Heene, 2006; Russo & Perrini, 2010). It was often thought that small firms, because of lack of resources, do not proactively engage in CSR and therefore do not warrant attention. Recent thinking has changed and academic attention is now given to small firm community and environmental initiatives (Fitzgerald et al., 2010). It is now widely understood that small firms differ fundamentally from large firms and that they may not be viewed simply as smaller versions of large firms, especially with respect to their social responsibility behavior (Spence & Lozano, 2000; Tilley, 2000). Emphasizing this uniqueness, Lepoutre & Heene (2006) even coined a new term, *small business social responsibility* (SBSR) to distinguish it from CSR. The SBSR literature continues to expand (Baumann-Pauly et al., 2013; Ding & Wu, 2014; Panwar et al., 2015).

The extant SBSR literature is unequivocal about small firm engagement in social responsibility relative to large firms. Some studies uphold that small firms are better positioned to partake in social responsibility than large firms (Besser, 1999; Dyer & Whetten, 2006; Longenecker et al., 2006; Solymossy & Masters, 2002); whereas others (Gerstenfeld & Roberts, 2000; Hitchens et al., 2005; Wolf & Pett, 2006) argue that small firms are less likely to engage in social responsibility because a general view that their impacts on society and the environment are minuscule as well as their lack of time and resources to focus on such activities.

As the evolving SBSR literature continues to unfold various important facets of small firm social responsibility behavior, below we address how small firm social responsibility actions, specifically those focused on community and environment, tie with their strategic pursuits involving differentiation and cost leadership.

Hypotheses

<u>The pursuit of differentiation and small firm community and environmental engagement</u>. While small firms have resource disadvantages (Ludevid Anglada, 2000) to seek differentiation vis-a-vis large firms in their industry, differentiation is still important for them as they seek reputation among local stakeholders in order to successfully compete for locally available resources (Goldberg, Cohen & Fiegenbaum, 2003) that are vital for their success. For example, by conducting youth-focused programs in a community, a small firm may create favorable impressions among youth, and thus attract valuable human resources (Glavas & Godwin, 2013), which is a challenge in rural areas. A favorable local reputation may also help a firm in accessing capital (Cheng, Ioannou & Serafeim, 2014). Thus, we argue that small firms tend to leverage their community engagement in their pursuits to differentiate themselves from the competition, and hence that small firms leverage community engagement to differentiate themselves from competitors.

In the environmental realm, small firms are often considered laggards due to a variety of factors such as lack of stakeholder scrutiny, low-level of eco literacy, and diseconomies of scale relative to

large firms (Panwar et al., 2015). Yet, increasing supply chain pressures for improved environmental performance have lately emerged as major triggers of environmental stewardship among small firms (Hall, 2000; Lee, 2008). This is also evident from an increasing popularity among small firms of eco-labeling despite often prohibitive costs for small firms (Chiputwa et al., 2015; Obidzinski et al., 2014; Valkila, 2014). Through such labels, small firms seek to differentiate themselves from their competitors as they strive to meet environmental standards stipulated by upstream actors in the supply chain. Thus, we contend that small firms leverage environmental engagement for differentiating themselves from other firms within their industry. Based on these arguments, we propose the following two hypotheses:

H 1(a): There is a positive relationship between small firm focus on competing through a differentiation strategy and emphasis on community engagement

H 1(b): There is a positive relationship between small firm focus on competing through a differentiation strategy and emphasis on environmental engagement

The pursuit of cost leadership and small firm community and environmental engagement. Maintaining low costs is often a constant drive for small firms as they struggle to survive amidst intensifying competition. The extant literature suggests that small firms engage in community matters with genuine intentions to alleviate social problems (Fitzgerald et al., 2010) and it is unlikely that they seek to reduce external risk and associated business costs through community engagement as large firm focused CSR literature would suggest (Epstein & Roy, 2001; Husted 2005). In fact, small firms in the US enjoy a favorable public image (Panwar et al., 2014 b) that provides them a buffer against potential external risks. Moreover, given the previous knowledge that community engagement is a matter of personal pride for small firm owners (Longenecker et al., 2006), it is unlikely that they would view it as a tool to reduce costs of doing business. Hence, we maintain that community engagement ultimately adds to a small firm's cost of doing business, and accordingly a cost-leadership focused firm would tend to not engage in community matters.

In the environmental realm, small firms suffer from a lack of resources necessary for actions such as converting to environmentally friendly processes and platforms. The cost of capital required for necessary upgrades may also often be too high, yet a cost-leadership focused firm would be inclined to such environmental measures because of potential gains in operational efficiency through energy saving and waste reduction (Boehe & Cruz, 2010; Heikkurinen, 2010).

In light of these arguments, we propose the following two hypotheses:

H 2(a): There is a negative relationship between small firm focus on competing through a cost-leadership strategy and emphasis on community engagement

H 2(b): There is a positive relationship between small firm focus on competing through a cost-leadership strategy and emphasis on environmental engagement

DATA AND METHODOLOGY

We sought data in the fall of 2012 by sending a questionnaire to CEOs/owners of 3408 small US manufacturing firms (< 500 employees as defined by the US Small Business Administration) in five

industry sectors: food, wood products, furniture, paper, and chemical products. We selected these five sectors because together they represent a diverse range of organizational contexts to study firm community and environmental engagement. Moreover, these sectors are populated by a large number of small firms and hence appropriate for this study. We requested individual site-level information for firms that had multiple manufacturing sites.

We followed the general principles of the Tailored Design Method (Dillman, 2007) that included sending a second wave of questionnaires (three weeks after the initial wave) to improve response rate. Four hundred and seventy eight valid responses were received for an adjusted response rate of 13.2%. We tested for nonresponse bias by comparing early versus late respondents as recommended by Armstrong & Overton (1977) and found no significant differences in any of the variables between the two groups ($p<0.05$) and believe that nonresponse bias is not a significant concern.

Measures

Community and environmental engagement. Because of the small-firm context of this study, we did not use the readily available indicators (such as KLD or Fortune) to assess community and environmental engagement. Instead, drawing on the existing literature we first developed a list of eight initiatives each in community and environment categories that was then prioritized by a set of experts from academia, NGOs, and industry organizations. The result was three community and four environmental initiatives, which we used to collect data (see Table 1). We requested respondents to self-report on a seven-point, bipolar scale the changes in their firm's level of engagement in community and environmental initiatives during the previous three years (1-3 representing decrease, mid-point 4 representing no change, and 5-7 representing increase). We assessed changes (as opposed to overall level of engagement) following previous CSR literature (Ruf et al., 2001) that advocates for this approach in order to minimize response biases that are common to CSR research.

Differentiation and Cost Leadership foci. Differentiation (5 items) and cost leadership (4 items) foci were assessed using scale items used in previous studies (see Table 1) (Davis, Dibrell, & Janz, 2002; Hansen, Dibrell, & Down, 2006).. The scores on individual items were combined into composite variables. Respondents were asked to provide the degree to which each had been emphasized by their firm during the previous three years (2008-2011). Responses were recorded on a seven-point, Likert-type scale ranging from "very low" to "very high."

Table 1: Variables, scale items, and Chronbach's alpha values

Variables	Scale items	Chronbach's alpha
Community engagement	In-kind contribution to community programs/events Cash contribution to community programs/events Support to non-profits	0.94
Environmental engagement	Energy efficiency Proportion of eco-labeled products in total production Waste management system	0.67

Differentiation focus	Achieving higher product quality than competition Building brand identification Developing new products Refining existing products Developing new and innovative marketing techniques	0.74
Cost leadership focus	Major improvements in operating efficiency Maintaining competitive prices Reducing distribution costs Major cost reduction efforts	0.63

Data analysis

All statistical analyses were conducted in SPSS 20 and EQS. The Cronbach's Alphas (Table 1) are generally in an acceptable range. Hypothesis testing was done using OLS regression. Goodness of fit was tested using confirmatory analyses in EQS and the measures showed satisfactory values for each regression model (Table 3). Furthermore, for each model we assessed discriminant validity following Fornell & Larcker (1981) and found that all pairs of variables met the minimum criteria.

Social desirability and common method bias. Social desirability and common method bias often affect studies of engagement in community and environmental activities (Du, Bhattacharya, & Sen, 2007; Husted & Allen, 2007). To minimize potential for bias, we followed recommendations by Podsakoff et al. (2003) during questionnaire design. Because respondents indicated changes that happened within their own firms rather than comparing to competitors, we expect less biased responses (Ruf et al., 2001). We assessed potential for common method bias using Harman's one factor test. No single factor explained more than 21.2% of the total variance suggesting common method bias is not a serious concern.

RESULTS AND DISCUSSION

Mean values indicate firms are more focused on low cost strategies and there have been larger changes in firm environmental initiatives than social initiatives during the study period (Table 2). A positive correlation between cost leadership and differentiation suggests that firms tend to pursue hybrid rather than pure strategies, which is in line with many studies that take this position (Pertusa-Ortega et al., 2009). Regression results are presented in Table 3 which includes a reduced and a full model each for community and environmental engagement.

Table 2: Descriptive statistics and correlations

Variables	Mean	S.D.	1	2	3	4
1. Change in community engagement	3.74	1.29	1.00			
2. Change in environmental engagement	4.59	1.06	0.10*	1.00		
3. Cost leadership	5.24	1.36	-0.03	0.00	1.00	
4. Differentiation	4.71	1.15	-0.92*	-0.05	0.72**	1.00

Table 3: Results of OLS regression

	Δ in Community Engagement		Δ in Environmental Engagement	
Control	Reduced model	Full model	Reduced model	Full model
Firm ownership type	.06	.05	.04	.04
Firm age	.04	.05	.02	.02
Log sales	-.03	-.03	.11	.11*
Industry[1]				
Food products	.21***	.20***	.03	.03
Furniture	.16**	.15**	.01	.01
Paper	.24***	.23***	.11	.11*
Chemicals	.09	.07	-.02	-.03
Main effect				
Cost leadership		-.07		.00
Differentiation		.10*		.05
R^2	.07	.08	.03	.03
ΔR^2		.01		.00
Fit values – Measurement model (CFA)		RMSEA=.054, CFI=.96, IFI=.96		RMSEA=.065, CFI=.93, IFI=.93
Variance inflation Factor (VIF)		> 1.4		> 1.4
Discriminant Validity (DV)[2]		Passed		Passed

[1] Using wood products as the base group
[2] "Passed" = All pairs of variables met the minimum criteria showing discriminant validity (Fornell and Larcker, 1981)
*= $p < 0.05$
**= $p < 0.01$
***= $p < 0.001$

A differentiation focus is positively related ($p<.05$) to community engagement and therefore H1(a) is supported. However, there is no relationship between a differentiation focus and environmental engagement ($p>0.05$) and thus H1(b) is not supported. We also do not find support for H2(a) and H2(b) as a cost-leadership focus does not have any relationship with firm community ($p>0.05$) and environmental engagement ($p>0.05$). Industry type has a bearing upon firm community engagement, but in the environmental realm only paper sector firms differ from others. Firm size (based on sales) does not have any relationship with community engagement, yet larger firms tend to emphasize environmental engagement relative to smaller ones. Firm age and ownership type have no relationship with community and environmental engagement.

Based on these findings, we suspect that the link between competitive strategy and CSR in a small firm context remains generally overshadowed by small firm non-instrumental motivations to engage in CSR (Lepoutre & Heene, 2006). Previous studies also arrive at similar conclusions that strategic CSR does not appear to be a prevalent phenomenon among small firms (Jenkins, 2009). We augment those observations by highlighting as to which strategic focus is related (or unrelated) with which CSR categories. Overall, it appears that small firms generally follow what Heikkurinen (2010) calls passive CSR, with no link to a firm's competitive strategy, yet seek differentiation through community engagement. The question remains whether small firms should leverage CSR for their strategic pursuits. While such calls are repeatedly made in both academic and policy realms, this change in small firm posture toward community and environmental engagement may not be as seamless because of the idiosyncrasies of their institutional context and internal resource constraints.

CONCLUSION

In this paper we set out to examine whether small firm's CSR engagement was associated with their strategic choice. Drawing on a sample of 478 small manufacturing firms, we found limited evidence for this, which we suspect owes to small firm idiosyncratic CSR behavior. The only significant relationship was between a differentiation focus and community initiatives, and thus an overall weak tie between strategic pursuits and CSR. Although these results generally align with previous research that small firms approach CSR in a largely ad-hoc manner with no ties to their competitive strategy, we present a finer view of the relationship. Future studies may build upon this work and ameliorate its shortcomings by including in the same sample both small and large firms which would allow a more definitive verdict about ways in which the strategy-CSR link is different between small and large firms. In this study, we only considered community and environmental domains, but future studies should also consider employee and customer domains.

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CSR and Performance

Let's Get Married: Tri-sector Collaborations in Small Communities (Physical Activity & Obesity Reduction)

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Abstract: This study looks to help reduce overweight and obesity in small towns by qualitatively examining public, private, and non-profit entities that possess aligned competences to form a tri-sector collaboration

Keywords: ecological milieu; tri-sector collaboration; obesity; physical activity resource assessment

INTRODUCTION

We begin this conceptual working paper by asking how tri-sector collaborations, consisting of business, governments, and non-profits, can improve the physical activity ecological milieu in small communities in the US. We ask if the tri-sector collaboration can be replicated in small towns, and rural areas where there may be a lack of resources that can help reduce obesity. Finally, we ask how does a small community government office and a small community business find and start a non-profit to support and become the 'guardian of the project.' We propose combining the two conceptual ideas, the ecologic milieu of physical activity and tri-sector collaborations. The intent of this research is to review public and private fitness spaces to help determine how fitness spaces can better benefit surrounding populations. The overall intent of this work is to create more awareness of and increase access to fitness spaces.

The ecological milieu helps to uncover social injustices and 'incivilities" (derogatory encounters (graffiti, broken glass, unmaintained facilities, and etc.) that inhibit individual access to physical activities. From the perspective of policy making in small communities, there may be a perception that resources for physical activity are well distributed and easily accessible to all populations. The ecological milieu model, and its associated assessment instrument, can help detect resources that are not readily accessible because of embedded social injustices within small communities. By uniting these two concepts, this paper aims to help shed light on how firms, governments, and non-profits might refocus their intentions to help improve and promote increased physical activity in small communities to help end the trend of overweight and obesity in America.

In this paper, we combine the concepts of the ecologic milieu of physical activity (Lee & Cubbin, 2009; Spence & Lee, 2003) and tri-sector collaborations (Andrews & Entwistle, 2010; Bryson,

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Crosby, & Stone, 2006; Mattessich & Rausch, 2014; Seitanidi & Crane, 2009; Waddell, 2002, 2003) in order to understand individual physical activity and how a community can join together to influence an increase of individual physical activity. This work intends to develop a new lens that would help local communities by combining the resources, capabilities, and influences for an issue-centric support system for those people who require more physical activity. Moreover, the ecological milieu can help sensitize policy makers to those areas in a community that may have endured long-term social injustice whereby access to resources for extra physical activity has been overlooked.

LITERATURE REVIEW

Ecologic Milieu

In order to create a better understanding of the challenges that individuals face in increasing physical activity, and to help change thinking about how to reduce O&O through physical activity, Spence and Lee (2003), and Lee and Cubbin (Lee & Cubbin, 2009) introduce the ecologic milieu of physical activity as their model, see Figure 1. This biological model of interdependencies helps highlight the importance of community resources and the allocation of resources to help reduce obesity. The ecologic milieu of physical activity includes "everything that contributes to the location and presence of healthy, physically active people living in a given environment" (Lee & Cubbin, 2009). In other words, the model helps highlight the daily activities and influences that occur in an individual's life. Not only will the model frame the influences in a person's daily life, but it may also expand into understanding and formulating influences for a larger community. Finally, the model helps researchers engage in research that will change how individuals engage in physical activity and to help policy makers create ways that help citizens be active. Figure 1 describes the elements of the ecological milieu.

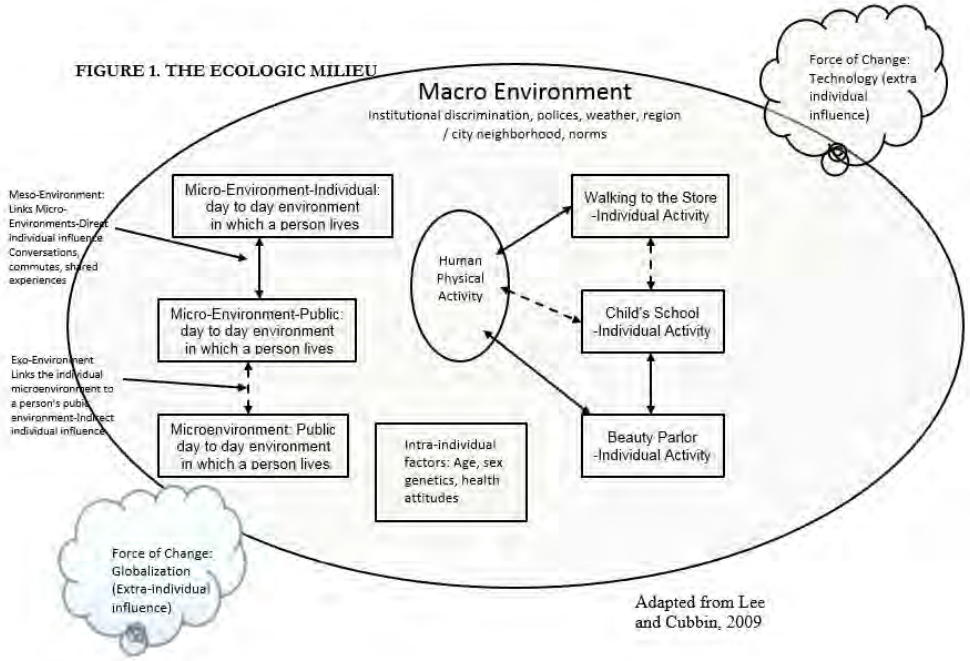

FIGURE 1. THE ECOLOGIC MILIEU

Adapted from Lee and Cubbin, 2009

Tri-Sector Collaborations

Waddell (2002, 2003) writes that tri-sector collaborations (known as global action networks or GANs) are on the rise because these types of partnerships can help to achieve business goals as well as social goals. He notes that the core competences among business, government, and non-profits are varied and distinct, such that attempting to 'do good' in society may not be a winning situation for each of these types of organizations when taking on social issues. He identifies and develops a core competence model of collaboration by identifying attributes, strengths, and weaknesses associated with the 'distinct logics' of each sector. If managers of the three types of organizations can define and understand their core competences well, then organizations can strategize and shift structures and goals to meet the environmental / external pressures and leverage competitive advantage (Waddell, 2002, 2003).

In a tri-sector collaboration, stakeholders should be focused on the same social issue and they should engage in balances of power. In order to create a symbiotic relationship in a tri-sector collaboration, each partner must understand their core competences and they should understand their partners core competences. The attributes of each partner in tri-sector collaboration become the initial inputs that help to create core competences. Examples of attributes include "primary interest, primary control agents, primary power form, primary goals, assessment frame, goods produced, dominate organizational form, operating ethic, relationship basis, and temporal framework" (Waddell, 2002).

Waddell may paint an overly optimistic solution for global social issues by combining into a GAN or tri-sector collaboration. Authors caution that government and public sector organizations tend to collaborate when individual efforts to act alone fail (Bryson et al., 2006; O'Flynn, 2009). Overall, O'Flynn claims that collaborations are nothing new and are often a strategic response to resource access, resource leverage, risk reduction, and the like. Her main contention is that the definition of collaboration varies in many ways thus making it difficult to determine if collaborative alliances actually work. Bryson, Crosby, and Stone (2006) claim that a reasonable expectation in collaboration is that the collaborative effort will not work. Conversely, Andrews and Entwistle (2010) conducted surveys to determine what types of collaborations work. In sum, they write that:

> public-public partnerships are positively associated with effectiveness, efficiency, and equity, but that public-private partnership is negatively associated with effectiveness and equity, and the public-non-profit partnership has no relationship to performance (Andrews & Entwistle, 2010).

Further, Mattessich and Rausch (2014) report that 661 respondents to their survey of public health organization and community development (bank and finance institutions) collaborations report a 46% success rate for collaborations focused on physical activity and active living. Thus, while not overwhelmingly conclusive, it is possible that a cross-sector collaboration may be successful.

FUTURE STUDY DIRECTIONS AND CONCLUSION

We propose to use the Physical Activity Resource Assessment (R.E Lee et al., 2005) we then plan to evaluate all the publically available PA resources. According to Lee et al., 800 meters is the amount of space that is about right for capturing the microenvironment of a person's daily life. A

neighborhood comparison might help highlight where the lack of available public PA resources lie and the "incivilities" that prevent more movement. From there, we intend to locate and evaluate all the PA businesses in the city of Aiken. This evaluation can help to map the linkages / touchstones of physical activity in the city. We will also conduct semi-structured interview of non-profit, government, and local businesses to determine what each participant might be seeking to give and gain in order to reduce obesity in this small town.

We propose to conduct this study in small community in a small town in the South. The city's demographics are atypical compared to the overall state profile. About 40% of the residents hold 4-year degrees, and the median household income ($53,127) is $10K greater than in the rest of SC. Within this town, 17% of residents are below the poverty level, which is 1.1% less than the overall state poverty level. The dominant racial breakdown for this small town consists of White 66.8% and Black 28.5%. The state is 68.3% and 27.9% respectively. (Cenus.gov, 2014). The Trust for America's Health studies indicate that low levels of education and income and race directly impact levels of overweight and obesity in the US (Trust for America's Health & Robert Wood Johnson Foundation, 2013). In conclusion, we believe that we can gain some replicable insight about how small US cities can combine limited fitness resources in a thoughtful and meaningful manner that will help reduce overweight and obesity.

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CSR and Performance

Methodological Fit in Measuring Corporate Social Impact: A Contingent Approach

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Abstract: Society is increasingly utilizing a firm's social and environmental performance as a primary metric in evaluating legitimacy. As a result there is a growing scholarly need for more precise and socially relevant measures of the social impact of corporations, or corporate social impact (CSI), as opposed to broader or more firm-relevant metrics, such as financial or reputational impacts. I propose that a contingent approach, which explicitly examines the methodological fit between research scope and research method, can be a useful framework to aid CSI scholars in navigating the conceptual messiness of measuring CSI. The aim of this article is to contribute a framework that can be used to effectively address questions of CSI measurement by guiding the use of appropriate research methods and design to fit a given research scope.

Keywords: methodological fit; corporate social impact; corporate social performance

INTRODUCTION

Corporations are increasingly called upon by society to address negative societal impacts and contribute to positive societal impacts (Margolis & Walsh, 2003). Further, society is increasingly utilizing a firm's social and environmental performance, including the impacts of a firm's core operations as well as its discretionary efforts in areas such as community development, employee volunteerism, philanthropic donations, or carbon offsetting, as one of the primary metrics that it uses to evaluate an organization's legitimacy (Porter & Kramer, 2006). As a result, legitimacy-granting stakeholders like discerning consumers, environmental watchdogs, and local communities are demanding more precision and nuance in how social performance is measured. Moreover, there is a scholarly need for more precise and socially relevant measures of the social impact of corporations, or corporate social impact (CSI), as opposed to broader or more firm-relevant metrics, such as financial or reputational impacts. The vast array of social ratings, rankings and screenings that have historically been used to measure social performance are being questioned by both society and academia (Chatterji et al., 2009; Entine, 2003), making scholarly work in business and society generally, and work examining the impact of business on society more specifically, increasingly theoretically relevant and practically useful.

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A growing number of management scholars are responding to this shift, and are calling for more societally focused CSI measures (Banerjee, 2008; Salazar et al., 2012; Wood, 2010; Margolis & Walsh, 2003). Salazar et al., for example, begin with the simple question related to CSR activities, "Does corporate social responsibility (CSR) make a difference"? (2012, p. 1). Margolis and Walsh ask a broader set of questions, such as, "Do companies really make a concrete difference in curing social ills when they act as though they can do so?" (2003, p. 282); "How can we unearth the effects that corporate actions to redress social ills actually have"? (2003, p. 283); and "What are the conditions under which positive consequences result for beneficiaries?" (2003, p. 289). At a more theoretical level, Gond and Crane (2010) point to three underlying tensions that appear to hinder attempts to strengthen the theoretical premise of Corporate Social Performance (CSP), including tensions of motive (between strategic and ethical perspectives), tensions of analytical orientations (between a normative and positive perspective) and tensions of disciplines (related to the interdisciplinary nature of the concept). These concerns are recognized by scholars within other disciplines as well. According to Howitt, "The link between corporations and the community-level impacts of corporate decisions…remains awkward and difficult territory for corporate planners and impact assessment practitioners…the social impacts of CCI [corporate community involvement] remains a relatively neglected area of research" (2011, pp. 88-89).

Recent work on measuring social impact and value creation in the nonprofit realm demonstrates the potential of this line of research (see, e.g., Kroeger & Weber, 2014; Ebrahim & Rangan, 2014). Kroeger and Weber (2014) develop a conceptual framework that allows for comparison of the effectiveness of different social interventions in the not-for-profit and social entrepreneurship context. Ebrahim and Rangan (2014) offer a framework for measuring the scale and scope of social performance in not-for-profits. However, a gap still remains when it comes to measuring social impact in the corporate context. Indeed, the trend towards calling for societally focused corporate social performance (CSP) measurement is in stark contrast to the theoretical path that the CSP literature has taken to date, which has historically focused on establishing a relationship between CSP and financial performance. Even those studies that do not use financial performance as a measure for the impact of CSP still typically maintain a "theoretically strange focus on the firm rather than stakeholders and societies" (Wood, 2010, p. 75), as evidenced by the outcomes and impacts section of Wood's (2010) review of CSP literature, where non-financial variables did not extend past corporate reputation, innovation, desirability as an employer, and consumer choice, attitudes and trust.

As a result, despite the vast body of CSP scholarship, there appears to be a gap in the management literature around how to measure the impact of business on society (Wood, 2010), including questions related to what is being measured, or *research scope*, and how it should be measured, or *research method*, as discussed below. Highlighting this gap should not be taken as an attempt to overlook or discredit the impressive body of scholarship within various sub-literatures that deal with topics related to this in the business and society field. Rather, it is an attempt to harness existing work with the aim of shifting the focus of performance assessment outwards to foreground societal-rather than firm-level implication. In addition, other disciplines, such as impact assessment (IA), international development, development economics, and environmental studies, draw on theoretical and methodological constructs that may be useful to management scholars seeking answers to the above questions.

In order to do so, I propose that a contingent approach, which explicitly examines the methodological fit between research scope and research method, can be a useful framework to aid CSI scholars in navigating the conceptual messiness of measuring CSI. Methodological fit, which I define as "internal consistency among elements of a research project" (Edmondson & McManus, 2007, p. 1155), has long been implicitly valued as an important criterion for quality research among organizational scholars (McGrath, 1964), particularly within field research (Edmondson & McManus, 2007). I suggest that the domain of CSP has been less formal in its adherence to methodological fit, perhaps contributing to a reliance on archival data in its analysis.

The aim of this article is to contribute a framework that can be used to more effectively address questions of CSI measurement such as those listed above by guiding the use of appropriate methodologies and research design to fit a given research scope. I argue that management scholars are uniquely qualified to take up this challenge, but also can learn from the tools and techniques from other disciplines. This framework will provide business and society scholars with a new arena for empirical measurement, enhance theoretical clarity by alleviating some of the tensions described above (Gond & Crane, 2010; Margolis & Walsh, 2003), and potentially rekindle a waning interest in CSP as a theoretical construct (Gond & Crane, 2010). Refocusing scholarly attention on metrics related to societal wellbeing rather than the firm could also introduce a new dimension into the well-worn debate on the link between social and financial performance. The next section will provide a conceptual overview of related terms and constructs, including how CSI is related but distinct from CSR and CSP, as well as how impact is defined here. Following, a CSI framework will be presented and discussed. The final section provides implications for theory and practice and conclusions.

CONCEPTUAL CLARIFICATION OF CSP, CSR, AND CSI

While there are many definitions within the management literature of CSR and CSP, there is some conceptual cohesion that CSR is concerned with what corporations should do, whereas CSP refers to what they actually do (Gond & Crane, 2010). This distinction is important because the focus here is on the measurement of the impact of corporate activities, or performance, as opposed to what ought to be done. Further, performance can be measured from at least two perspectives. It can be measured internally, by the firm, and discussed as it relates to firm impacts, such as financial implications. It can also be measured externally, by stakeholders, with respect to a firm's impacts on society. By way of defining "corporate activities", I follow Wood's definition of CSP, which concerns "the harms and benefits that result from a business organization's interactions with its larger environment, including the social, cultural, legal, political, economic and natural dimensions" (2010, p. 2) because impacts (both positive and negative) can arise from any of the dimensions, and a discussion of measurement should be structured accordingly. Impact in and of itself also merits definitional clarification, as the term has not been consistently defined (Ebrahim & Rangan, 2014). In this paper I refer to impact as "an organization's specific and measurable role in affecting a social result (attribution)" (Ebrahim & Rangan, 2014; Jones, 2009). Attribution to an organization's efforts is key in this context, because organizations claiming to address social issues may need to be equipped to demonstrate these results, or the mechanisms through which the results occurred, particularly if they seek public support (Ebrahim & Rangan, 2014). Based on the constructs defined above, I put forward the following definition of CSI as "the specific and measurable role of a corporation in affecting its larger environment, including the social, cultural, legal, political, economic and natural dimensions".

A CONTINGENCY FRAMEWORK FOR CSI MEASUREMENT

Research Scope

Whereas discussions of methodological fit often utilize state of prior knowledge or theory as a starting point to dictate the appropriate methodology (Edmondson & McManus, 2007; McGrath, 1964), in what follows I argue that research scope is an appropriate starting point for research questions addressing CSI measurement questions due to the phenomenological orientation of CSI. Typical within the CSP literature that discusses outcomes and impacts are firm-level analyses, and boundary conditions that do not extend past the firm, such as financial (Margolis et al., 2009) and reputational (Wood, 1995; Szwajkowski & Figlewicz 1997) impacts, innovation (Pavelin & Porter, 2008), and customer and employee perceptions of the firm and its products (Husted, Russo, Basurto Meza, & Tilleman, 2014; Pivato et al., 2008; Turban & Greening, 1997; Greening & Turban, 2000). Here I suggest that both the level of analysis and boundary conditions be revisited in order to facilitate both a more fine-grained as well as a more societally-focused approach to measurement.

Level of analysis. How to measure CSP is a debate that has been ongoing for several decades. Clarkson (1995) argues that a primary source of confusion stems from the levels of analysis that are considered in the measurement. Clarkson (1995) concurs with Wood (1991) that there are three distinct levels of analysis: institutional, organizational, and individual. The level that concerns business and society refers to the institutional level, and is germane to broad discussions of CSR, whereas the level of the firm and its stakeholder groups refers to the organizational level and is more relevant to the analysis, evaluation and measurement of CSP (Clarkson, 1995). I concur with Clarkson's argument regarding the confusion of levels of analysis, but suggest that in order to obtain a stakeholder-focused measurement of CSP, (i.e., CSI) analysis could be undertaken at a meso level between organizational and individual, which can be called the project or activity level (Salazar et al., 2012; Esteves & Barclay, 2011). A focus on the project level, which can then be aggregated to the portfolio/organizational level (Salazar et al., 2012; Esteves & Barclay, 2011), may allow for a more fine-grained approach to measurement because it can facilitate a shift in measurement from policies or programmatic inputs (such as donations or volunteer hours) or outputs (such as workshops or community centres) to outcomes and impacts related to human development (Sen, 1999) such as lives saved, improvements in health, increased income, decreased inequality, improvements in educational attainment, or increased happiness (Salazar et al., 2012). This is consistent with the theory proposed by Weick of "small wins", or an approach that reformulates social issues as a series of solvable problems, which can "produce visible results that can be gathered into synoptic solutions" (1984, p. 40). It is the project level of analysis that is generally the focus of impact assessment, although this analysis can be expanded spatially to include cumulative impacts, as discussed below. According to its proponents, a shift to a project level of analysis would not only resolve questions related to what to measure, but would also shed light on how and why these should be measured.

Boundary conditions. While Salazar et al. (2012) provide an important focus on the social project level, and add significant precision to the question of how social programs should be measured through their introduction of the RCT approach to social impact assessment, their focus on social programs and projects does not (by design) extend to how to assess whether the program they evaluate in their case study on a Mexican cement company called Cemex adequately and justly compensates the segment of Mexico's public that is negatively impacted by Cemex' externalities.

Therefore, the boundary conditions in their analysis can be understood as an isolated social intervention. However, implicit in the purpose of CSP is that corporate activities have negative externalities for which discretionary CSP activities attempt to compensate society. Although they should not be confused, there may be merit to analyzing the impacts of a firm's core activities *and* the benefits of these discretionary activities simultaneously. An analysis of this level is proposed by Zarsky and Stanley (2013) in what they refer to as a net benefits methodology, which will be described below.

Finally, CSI can be measured at the cumulative level, both spatially and temporally. Although most large scale infrastructure or extractive projects legally require an *ex ante* environmental assessment process, many of which include a component of cumulative impact assessment, cumulative impacts are not generally considered within the CSP literature. Franks et al. (2010) define cumulative impacts as the "successive, incremental and combined impacts of one, or more, activities on society, the economy and the environment" (Franks et al., 2010, p. 1). Although the cumulative level approach is outside the traditional scope of management research, if the goal to extend CSP measurement beyond its impact on the firm to the impact on society is to be taken seriously as a challenge to management theorists, then the tools associated with assessing impacts at the cumulative level may be a useful addition to CSP's theoretical toolkit. Cumulative impacts can be assessed at the industry level, or at the spatial level across industries, such as the effects of a watershed contamination on communities that rely on it.

Steps of the logic model. Wood's four-pronged framework of CSP includes principles, processes, outcomes and impacts. Nonetheless, as Wood reminds us, "In a sense, outcomes and impacts are what CSP is all about." (2010, p. 69). There are various practitioner-oriented frameworks which mirror this, including the basic logic model (Weiss, 1972; Ebrahim & Rangan, 2014), which outlines inputs, outputs, outcomes and impacts. This is key to answering questions about impact on society because policies are often decoupled from practice (or processes) (Weaver et al., 1999). Similarly, processes do not always relate to expected impacts, as processes can be seen as related to intent (or outputs), rather than the achievement of a desired effect. Finally, policies and processes can be chosen strategically by firms to minimize cost and maximize visibility (McWilliams & Siegel, 2001) and thus may de-prioritize less visible or more costly processes, as can be seen in Wood's (2010) literature review of CSP, which includes salient stakeholders such as employees and customers, but excludes less powerful stakeholders such as communities. Human development objectives (Sen, 1999), such as health, education, income equality, and biodiversity (Margolis & Walsh, 2003) are still largely ignored, even at the impact level, because they are arguably more complex and overwhelming to measure (Weick, 1984). In summary, the differentiation of inputs and outputs from outcomes and impacts follows a "problematization" approach to research question formulation (Alvesson & Sandberg, 2011) in that it problematizes the coupling of policies or practices from the desired impact, or that all CSR has its desired effect on society.

Research Methods and Design

Common CSP research methods. The current management literature tends to use input-based proxy measures such as the amount of corporate contributions, or indices and rankings such as KLD and Sustainalytics, often drawn from sources such as CSR reports and press releases, in attempts to measure CSP at the firm level. Although these approaches are lauded by some (Sharfman, 1996) and

widely utilized in CSP research, they have also been subject to critique (Chatterji et al., 2009; Entine, 2003).

Isolated social intervention. At the other end of the spectrum, scholars (e.g., Salazar et al., 2012; Esteves & Barclay, 2011) have recently called for a shift towards a disaggregated, project-based approach to measuring CSI, and a portfolio-style aggregation of impacts. Measuring CSI as an isolated social intervention at the project level opens up a number of potential methods, depending on the goal of the analysis. For example qualitative methods are ideally suited for the initial identification of potentially effective social interventions, which, once identified, can then be subjected to quantitative testing. Esteves and Vanclay discuss the "Social Development Needs Analysis", an impact assessment tool which shifts the emphasis of impact assessment from predicting negative consequences towards facilitating positive social development outcomes for community stakeholders, by focusing a firm's attention on the key question of "What are the priority social issues that should be addressed in order for us to contribute to sustainable development of the community and create value for our business" (2009, p. 137). Qualitative methods can also be well suited to post-hoc identification of mechanisms that help to explain the causes for various levels of impact (Edmondson & McManus, 2007), or provide theories related to how performance can be improved. Esteves and Barclay (2011) utilize semi-structured interviews, supplemented with quantitative data, to examine the impact of a company-community partnership on the local community. Lund-Thomsen (2009) utilizes an interview and observation-based approach to evaluate the impact of a public private partnership in Pakistan against the aid evaluation criteria of the Development Assistance Committee (DAC) of the OECD, which analyze the relevance, effectiveness, efficiency, impact, and sustainability of the intervention. Kistruck et al. (2012) use follow up interviews to identify the mechanisms that caused the responses to the interventions in the field experiment.

Although scholars of the relationship between business and society sometimes avoid empirical studies that utilize traditional survey instruments to measure social outcomes such as poverty alleviation or community wellbeing, examples do exist where they have been used effectively. In measuring CSI, surveys can be particularly useful in providing an initial baseline against which social impact could be measured. It can also be used to obtain quantitative data about specific items. For example, Provan and Milward's (1995) study utilized survey data, triangulated with interviews and other data sources, to study the impact on patient wellbeing of network structure. Boutilier and Thompson (2011) developed a 15-question survey instrument, focusing on economic legitimacy, socio-political legitimacy, interactional trust, and institutionalized trust, to assess the level of social license to operate (SLO) that a given project has. Although SLO is distinct from CSI, they are related, since a community may be in the best position to anticipate impacts (both positive and negative) and make decisions about whether or not to grant an SLO accordingly.

Randomized evaluations are one specific type of impact evaluation that uses random assignment to determine whether a particular program or intervention has an impact, and to quantify the size (and direction) of the impact. Impact evaluations generally, and randomized evaluations more specifically and more accurately, typically compare outcomes of a program that is already being implemented against a baseline or a randomized control group (Glennerster & Takavarasha, 2013; JPAL, 2015). For example, Salazar et al (2012) established social outcome measures for Cemex's Patrimonio Hoy project by testing the impacts of the project against the objectives, using a post hoc control group

design. Banerjee et al. (2007) utilized a pre- and post-test treatment and control group design to evaluate the impact of a remedial education program for children struggling in government schools.

Field experimentation can be a useful approach in instances where the comparison of two social interventions, or a treatment and control (randomly selected non-beneficiaries of a project or program), is desired, such as a pilot project that seeks to test two different approaches before a full roll-out takes place. In the evaluation of social outcomes, field experiments can be particularly useful as cross-sectional designs can have major limitations (Banerjee & Duflo, 2009; Salazar et al., 2012), and an experimental approach that designs an intervention allows for more control than is often available in an evaluation. For example Kistruck et al. (2012) employed a quasi-experimental approach in collaboration with a firm employing base of the pyramid (BOP) salespeople in rural Guatemala, whereby a treatment group was given an identity-based intervention to assess whether it mitigated the principal-agent issues that was experienced by the firm and its salesforce. This approach is considered to be "quasi experimental" unless the study participants can be completely randomized (Grant & Wall, 2009). Full randomization in contexts that typically seek to measure social impact can be challenging.

Finally, mixed methods can be useful in measuring CSI due to their complex and multi-faceted nature. Creswell and Plano Clark (2011) suggest that research problems suited to mixed methods include instances of insufficient data, whereby a single data source may be insufficient, for example because of incomplete or contradictory evidence; instances where initial results require additional explanation, such as an initial phase of quantitative research which may require a second qualitative phase; and instances of novel or unknown contexts, which may use a qualitative study to uncover the appropriate variables, theories and even questions that are appropriate for the context, which can then be followed with a quantitative phase to allow for the generalization of qualitative results. Other methodological rationales for the use of mixed methods include participant enrichment (Collins, Onwuegbuzie & Sutton, 2006; Bond & Pope, 2012), the analysis of static and processual features simultaneously, and the analysis of different aspects of the same phenomenon from divergent perspectives (Molina Azorin & Cameron, 2010). Many of these problem types would likely be common in attempts to measure CSI.

<u>Net impact of firm</u>. The net benefits approach is taken from the development economics literature, which also draws from the sustainable development literature in its use of the constructs of weak and strong sustainability. Weak and strong sustainability relies on the premise that there are different forms of capital, including both natural and human or social capital (Ali & O'Faircheallaigh, 2007). Strong sustainability emphasizes the non-substitutability of different forms of capital, whereas weak sustainability entails a rational optimization of trade-offs among various forms of capital. In the weak sustainability sense, development activities can be considered sustainable if the overall stock of capital is not diminished (Zarsky & Stanley, 2013), even in the case of non-renewable resources, if it "gives rise to long-term benefits (environmental and/or social and/or economic) that equal or exceed the values that existed prior to exploitation" (Amezaga et al., 2011, p. 21). Zarsky and Stanley use the two forms of sustainability to conceptualize a linear maximization problem, i.e., "maximizing human welfare gains subject to a natural capital constraint" (2013, p. 133). In its broadest sense, the concept of weak sustainability can be seen as a cost-benefit calculation. From a CSP perspective, previous work related to CSP has predominantly sought to examine both good and bad CSP, but rarely have the two been analyzed simultaneously in the management literature, or whether the

societal benefits of the "good" aspects of a firm's performance compensate for the "bad" aspects, particularly when taking into account multiplier and spillover effects.

Cumulative Impacts. Due to their broad reach and numerous stakeholders, I suggest that cumulative impacts may be well suited to measurement by big data, by which I mean the visible or material "social consequences of corporate behavior-stakeholder actions" (Entine, 2003, p. 365). Management scholars are beginning to utilize big data sources to assess stakeholder impacts and their related responses. For example, Henisz et al. (2014) take a novel approach to measuring CSP in the mining industry by utilizing media events as a proxy for the absence or presence of stakeholder conflict, (the underlying assumption being that the absence of conflict itself is a proxy for positive CSP).

DISCUSSION & CONCLUSION

A refocusing of CSP from firm-centric to society-centric impacts has important implications for the CSP literature, and the types of questions it would be suited to answer. Rather than questions around why firms choose certain social performance behaviors or what those choices imply for financial performance, CSP scholars could shift the focus to questions, for example, around explaining variance in firms' ability to be *successful* at creating positive social impact. However, common among all research pursuits is the ability to believe in the validity of ones data, and in this sense, ensuring an appropriate methodological fit, while important, is not sufficient. In order to produce valid data from the measurement of CSI, two additional questions must be addressed, including the motivations and goals behind CSI measurement, and who may determine what is being measured. Many of these questions do not have clear answers, and can therefore frame a number of future research questions around CSI.

Why Should CSI be Measured?

Much of the theoretical scholarship on impact assessment tackles important questions related to why corporate impact should be assessed in the first place. Lund-Thompson asks, "whose interests would CSR impact assessments really serve if they were undertaken on a more regular basis…it may not really be in the interest of companies, auditors, and civil society watchdogs to discover what the impact of CSR initiatives is" (2009, p. 60). Several related sub-questions pertain to the limits of our ability to know the true impact of corporate activities; and how a more accurate understanding of the impacts of corporate activities affects decision-making.

The first question is related to the spectrum of positivist versus post-positivist approaches to our ability to measure the impacts of corporate activities (Bond & Pope, 2012), particularly in light of power differences (Morgan, 2012; Richardson, 2005) and capitalist-oriented logic frames which often run counter to the logics and interests of those impacted (Morgan, 2012; Weston, 2010). Morgan (2012) draws from the Bartlett and Kurian (1999) model to describe six implicit approaches to impact assessment, which may provide a useful contribution to management scholars attempting to justify the rationale for impact assessment, including the information processing model; the symbolic politics model; the political economy model; the organizational politics model; the pluralist politics model; and the institutionalist politics model. At the heart of this spectrum is the critique of the positivist model of impact assessment being implemented by planners and other professionals as

opposed to a participatory, deliberative approach, which proponents would argue is the only way to measure impact. Arguably, a rigorous positivist approach is not often utilized in this arena by business and society scholars, and future research could identify factors that would facilitate a shift in mindset towards positivist assessment, and the impacts that may have on societal wellbeing.

Further complicating this is a set of questions surrounding how to incorporate scientific input into predominantly political or managerial decision-making (Freudenburg, 1986), and the second question asks how information related to the impact of corporate activities is used. This paper began by echoing the critiques of several management scholars on the lack of impact assessment in the management literature. However, this critique can be extended in the opposite direction as well. In other words, despite popular belief, what gets measured doesn't always matter, and increased cross-pollination between the literatures may be of mutual benefit.

Another reason to measure impact, particularly when coupled with baseline measurement, is to provide affected stakeholders, ex ante, the opportunity to establish their own baseline wellbeing indicators through an inclusive, stakeholder-driven process. While much of the CSP literature predominantly focuses its analysis at the ex post stage, much of the impact assessment literature emphasizes the ex ante stage, which facilitates this opportunity. This neglect of a baseline measure or control group may be seen by some as a violation of basic research design principles of baseline establishment (Cook & Campbell, 1979). In addition, this process of developing and measuring impact indicators may, in and of itself, have inherent benefits to stakeholders, particularly at the community level (Esteves et al., 2012). A final reason for measuring impact stems from a recent trend in the impact assessment literature that characterizes impact assessment an iterative learning process. According to Bond and Pope, "impact assessment is beginning to be seen not just as a tool for informing and influencing decision-makers, but as a process which changes the views and attitudes of stakeholders who engage with the process such that their own attitudes and practices change outside of the immediate decision-making context" (2012, p. 3).

Who Determines what is Measured?

Germane to a discussion of measuring impact is the question of who determines what is measured. In a discussion on how to identify socially responsible behavior, Campbell (2007) discusses the differences between objectively and subjectively determined measures. Measures may be determined objectively by an independent governing body such as the United Nations, which could establish for example the parameters of a decent living wage based on local costs of living, and labor compensation policies could be judged accordingly. Alternatively, subjectively determined measures could be established whereby locally relevant stakeholders' perspectives may be solicited for measures that they deem to be of importance to their goals and aspirations.

CONCLUSION

This article has developed a definition and contingency framework for achieving methodological fit in measuring CSI. It has also discussed how CSI intersects with the related constructs of CSP and CSR. This framework and related discussions has significant implications for both theory and practice. Theoretically, CSP has long been critiqued in the management literature, both for its inability to measure what matters to society, as well as for its lack of theoretical merit. Scholars have

pointed to the potential for more empirical measurement to feed into theoretical clarity (Gond & Crane, 2010; Margolis & Walsh, 2003). A focus on empirical measurement of the impact of corporate activities on society may be what is required to rekindle a waning interest in CSP as a theoretical construct (Gond & Crane, 2010). Despite its complexity and lack of available data sources, Cook and Scioli remind us that the analysis of impacts "cannot be constrained by present data sources but must instead stress the development of data sources that are relevant to systematic evaluation…To do otherwise would result in the substitution of data availability for evaluation criteria as the primary analytical framework within which impact analysis is conducted" (1972, p. 337). The framework also contributes to the practice of CSP. If indeed corporations are granted legitimacy by the public in part based on claims of addressing social ills, then they should be held accountable to these claims. However, questions still remain about how to measure CSI in the ways that will most effectively benefit society. The discussion related to *why* we should measure CSI is most germane to these questions because of its effects on managerial decision making, such as the polycentric approach to CSI measurement advocated by Ebrahim and Rangan (2014). Advocating a role for CSI in management literature should not be mistaken for a normative position about the appropriate role of the firm in society (Margolis & Walsh, 2003). Rather, as put simply by Margolis and Walsh, "The aim here is to test a pragmatic belief to determine if acting on the basis of that belief produces the desired consequences" (2003: 282). This approach can circumvent a normative theoretical quagmire, and instead provide pragmatic guidance and response strategies to the managers of those organizations who choose to assume a role in addressing societal ills.

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CSR and Performance

Legal and Ethical Performance of US Government Contractors: A Façade or Compliance?

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Abstract: This paper analyzes cases of procurement fraud by government contractors for the period, 2000-2014. The exploratory study provides information on which industry sectors were most likely to settle cases of procurement fraud and which types of violations occurred most frequently in these sectors. We develop two hypotheses that examine whether Ethics and Compliance processes for federal contractors, established in 2008, reduced the number of cases and whether political administration might increase or decrease the number of settled cases. Further research questions are suggested to learn more about the phenomenon of government contractor fraud.

Keywords: business ethics; government contracting; fraud; ethics and compliance; government procurement

INTRODUCTION

A disconnect appears to exist between the laws and regulations encouraging ethical business practices and the actual practices of a number of large US government contractors. Laws and regulations require publicly traded companies and companies doing business with the Federal Government to create Codes of Ethics and maintain Business Ethics Awareness and Compliance Programs. However, these requirements, and the penalties for violations, do not appear to dissuade all companies from defrauding the government. In fact, a number of prominent US companies have paid settlements to the Government to avoid being convicted of fraudulent activities. This paper describes an exploratory research project that investigates cases of fraud committed by government contractors, their level of de facto compliance with legal and ethical requirements, and the consequences of their fraudulent activities.

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GOVERNMENT CONTRACTING LAWS AND REGULATIONS CONCERNING FRAUD

US government contractors are subject to a substantial number of laws and regulatory requirements to remain in good standing and eligible to conduct business with the Federal Government. We briefly highlight here four sets of requirements: the Sarbanes-Oxley Act, U.S. Sentencing Guidelines, Federal Acquisition Regulations, and the False Claims Act.

Table 1: Key Federal Laws and Regulations Regarding Contractor Ethics and Fraud

	Key Provisions	**Ethics Requirement**	**Penalties**
Sarbanes-Oxley Act	Reforms/expands corporate responsibility, including enhanced financial disclosures and internal control processes adequate to prevent fraud, ensure reliable reporting, and comply with rules and regulations.	Publicly traded companies must disclose in their annual financial reports whether senior financial officers adopted and adhered to a Code of Ethics.	Added criminal penalties for white-collar crime, defrauding investors, and destruction of records.
US Sentencing Commission Guidelines	Guidelines for assessing penalties on organizations, including corporations and partnerships that commit Federal crimes.	Establishes seven criteria for an effective Ethics and Compliance program. Companies that can demonstrate effective Ethics and Compliance programs may be eligible for reduced criminal penalties.	Fines, probation for up to five years, restitution and issuance of public notices of conviction to victims, and exposure to applicable forfeiture statutes.
Federal Acquisition Regulation (FAR)	Governing regulation for government purchase of private goods or services through contracting.	Certain high volume and high visibility contractors must institute and maintain ethics and compliance programs. (FAR §3.1).	Contractors may be suspended or permanently debarred from doing business with the government for committing a fraud, criminal offense, or commission of any other offense indicating a lack of business integrity (FAR §9.4).

False Claims Act (FCA)	Contractors may be held liable for defrauding the government through presenting a false claim for payment, denying the government remuneration for which it was entitled, or conspiring to defraud.	No specific requirements. Reduced penalties for self-reporting of violations.	Persons and organizations who knowingly submit false claims to the government are liable for triple the government's damages plus a penalty.

The Sarbanes-Oxley Act of 2002 (Public Law 107-204) requires publicly traded companies to disclose in their annual reports whether they have adopted a Code of Ethics for their senior financial officers. These Codes of Ethics include those standards reasonably necessary to promote honest and ethical conduct, including the ethical handling of implied or actual conflicts of interest; full, fair, accurate, timely, and understandable disclosure in periodic reports; and compliance with applicable governmental rules and regulations.

The U.S. Sentencing Commission developed guidelines for sentencing organizations that were convicted of crimes in 1991. This effort was designed to create uniform penalties and also incentives for organizations to receive reduced sentences if they incorporated standards and processes to minimize criminal behavior by employees (Murphy, 2002). The guidelines became the basis for compliance programs in many large U.S. firms in the 1990s (e.g., Trevino, Weaver, Gibson, & Toffler, 1999). According to the guidelines, an effective program is one that contains the following seven elements:

1. Standards and procedures to prevent and detect criminal conduct.
2. Implementation at all levels of the company, from top management, who must be knowledgeable about the content and operation of the compliance program, to the operational personnel who carry out the daily responsibility for the program.
3. Reasonable effort not to place any individual known to have engaged in conduct inconsistent with an effective compliance program into a position of substantial authority.
4. Periodic communication of the compliance program, especially through training commensurate with employee roles and responsibilities.
5. Program effectiveness assured through monitoring, auditing, and evaluations. Companies must provide and advertise a "hotline" mechanism where employees and agents may report or seek guidance regarding potential or actual criminal conduct without fear of retaliation.
6. Appropriate incentives for performing duties in accordance with the program and appropriate disciplinary measures for engaging in criminal conduct or failing to take reasonable steps to prevent and detect such conduct.
7. Process for responding appropriately to any potential misconduct, preventing future misconduct, and, if necessary, modifying the program based on discovery of misconduct.

Implementing and maintaining an effective compliance program mitigated the potential fine range – in some cases up to 95 percent – for an organization found guilty of criminal conduct. However, recurrence of similar misconduct raised doubts regarding the effectiveness of the compliance programs, especially after the corporate scandals in the early 2000s. Requirements for an emphasis on ethics, board oversight, and access of an ethics officer to top management were added in the 2004 amendments to the organizational sentencing guidelines, and firms were encouraged to focus on both ethics and compliance (e.g., Hess, McWhorter, & Ford, 2006).

Federal Acquisition Regulation, known colloquially as "the FAR," was amended in 2008 to require companies conducting business with the government to do so within an organizational culture that encourages ethical conduct and commitment to compliance with the law (FAR §3.1002). If contract value exceeds $5 million and the contract period of performance exceeds 120 days, contractors must institute and maintain a Business Ethics Awareness and Compliance Program that contains certain elements (FAR §3.1004, §52.203). The December 2008 revision to the FAR incorporated criteria for an effective ethics and compliance program that are consistent with those elements found in Chapter Eight of the *Federal Sentencing Guidelines Manual* (FAR §52.203-13; Kathuria, 2009). While these requirements apply specifically to large contractors, all contractors to the Federal Government should have a written code of business ethics and an internal control system that is appropriate for the size of the company and extent of its involvement in government contract work (FAR §3.1002). The December 2008 revision to the FAR also incorporated an "integrity reporting" program that required contractors to (1) disclose to the agency Inspector General any potential ethics violations committed by principals and officers of the company and (2) self-report any fraud.

Broadly, the False Claims Act allows the government to penalize contractors that commit any one of seven categories of fraudulent acts. These acts include knowingly defrauding the government through false billings; knowingly making false records or statements material to a fraudulent claim; delivering less than the full order to the government; denying the government payment (taxes); or conspiring to defraud the government. Companies found to be violating any one of these activities are subject to a civil penalty ranging from $5,000 to $10,000 per incident plus three times the damages incurred by the government. Such awards and reputational damages from Department of Justice investigations can be substantial (e.g., Hargrove & Raiborn, 2013). As with other legal approaches, companies that voluntarily submit to investigation and willingly provide the government with all information regarding the violation in a timely manner may be granted a reduced penalty for settling the case.

Contractor Fraud

Government contracting has become a very big business, especially with the growth of government roles and programs and increasing privatization of provision of government services (e.g., Berrios, 2006). Opportunities for fraud have likewise increased. Contractor fraud costs the Federal Government billions of dollars annually. Roughly 10 percent of fiscal year 2013 Federal criminal convictions were fraud cases with losses ranging up to $5.9 billion (Schmitt & Jones, 2014). During the same year, 172 organizations were sentenced for at least one Federal criminal offense, typically a fraud or environmental crime (Schmitt & Jones, 2014). Table 2 contains examples of cases brought

by the Department of Justice under the False Claims Act against prominent large public and private companies providing financial and managerial advisory services to the Federal Government.

Table 2: Examples of Department of Justice Recoveries under the False Claims Act Financial and Managerial Advisory Businesses

Company	Settlement/ Penalty Amount	Contract Activity, 2004-2014	Criminal Activity
Boeing Corporation (2006)	$615 million	$184 billion	Theft of proprietary information, conflict of interest
KPMG (2005)	$456 million	$1.8 billion	Design, marketing, and implementation of fraudulent tax shelters
Northrop Grumman (2009)	$325 million	$63 million	Violations of the False Claims Act related to sale of faulty equipment
Oracle Corporation (2011)	$199.5 million	$5.6 billion	Violations of the False Claims Act
Ernst and Young (2013)	$123 million	$230 million	Design, marketing, and implementation of fraudulent tax shelters
EMC Corporation (2010)	$87.5 million	$819 million	Violations of the False Claims Act and Anti-Kickback Act
Accenture (2011)	$63.6 million	$9.4 billion	Kickbacks for recommendation of hardware
Hewlett Packard Company (2010)	$55 million	$3.5 billion	Kickbacks; influencer fees; defective pricing
PricewaterhouseCoopers (2005)	$41.9 million	$1.4 billion	Inflated travel bills of contractors working on federal contracts

Source: Department of Justice News Releases, USASpending

Each of the companies listed in Table 2 did have, at minimum, a compliance program in effect at the time of its violation. In order to assess the effectiveness of current approaches to reduce fraud by government contractors, both the US Government Accountability Office (GAO) and the Council of the Inspectors General for Integrity and Efficiency (CIGIE) performed reviews of agency processes for suspending and debarring unethical contractors and determined that these penalties against companies that defraud the government are effective deterrents when applied consistently. In 2011, GAO found that Federal agencies with staff dedicated to the suspension and debarment program regularly identified contractors that placed the government at an added risk of fraud, waste, or abuse and referred them to the program for evaluation. However, even though FAR allows debarment for any offenses that indicate a lack of business integrity or business honesty, CIGIE (2011) found widespread agency hesitation to suspend or debar a contractor without formal indictments, convictions, and civil judgments. Additionally, to the highest grossing companies, fines and restitution appear to represent an acceptable cost of doing business. For example, in the same year that Ernst and Young paid the Federal government $123 million for promoting fraudulent tax

shelters to its clients, the Ernst and Young *Annual Report* boasted that its tax practice realized $6.9 billion in revenue.

Not all government contractors seek to defraud the government, of course. The Federal Government made contract purchases of both goods and services valued at $462 billion during Fiscal Year 2013. That same year, the Department of Justice recovered $3.8 billion from False Claims Act cases. However, those contractors that set up Codes of Ethics without abiding by them appear to be hiding behind a façade of compliance, checking off the requirements to get a contract but not internalizing ethical performance.

RESEARCH DESIGN

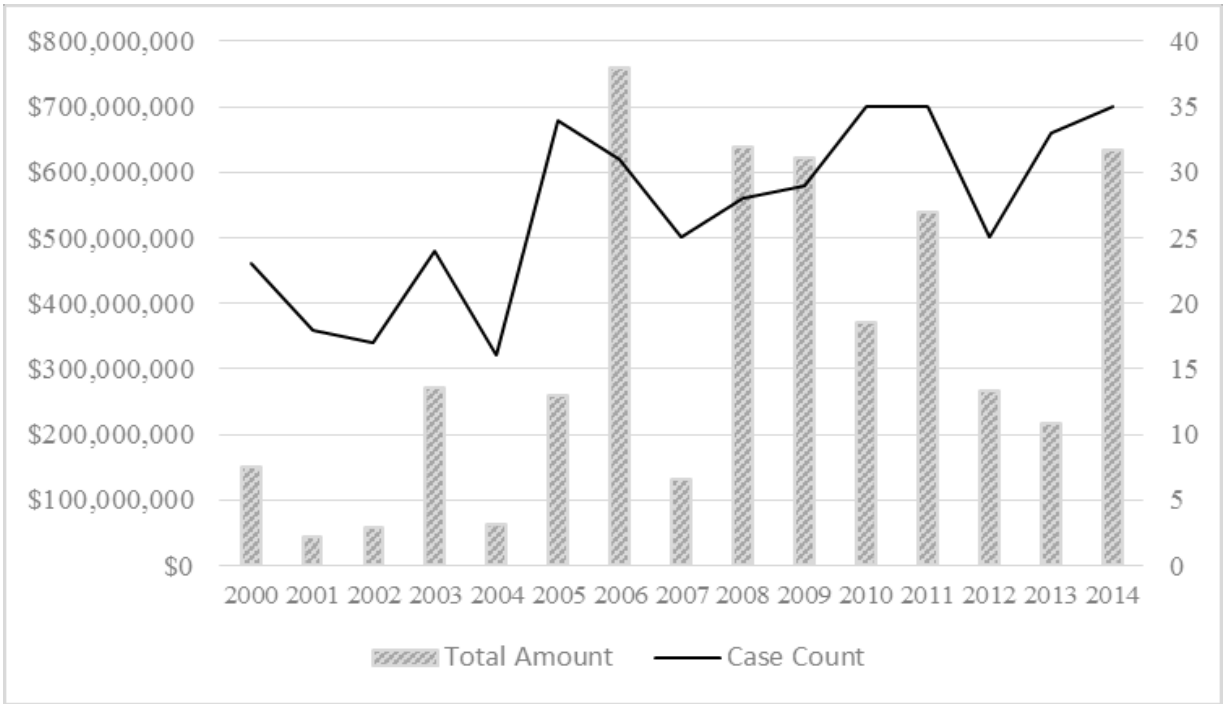
While the government may become aware of contractor fraud through regular audits and through contractor self-reporting, we focused our research on fraud cases that were brought by whistleblowers, called "Qui Tam" cases, and supported by the Department of Justice (DOJ). Under the False Claims Act, whistleblowers who report fraud may file lawsuits on behalf of the government and share in any of the penalties levied against the contractor. DOJ has the responsibility to examine such cases and decide whether the evidence is sufficiently strong enough to justify joining as a plaintiff in the case. This section describes the dataset that we created and exploratory hypotheses that we developed.

Population Sample

To examine the recent legal and ethical performance of government contractors, we reviewed DOJ press releases relating to all False Claims Act cases settled between 2000 and 2014. From these press releases, we selected the population of Qui Tam settlements and judgments related specifically to procurement fraud. We created a database with the year of the settlement or judgment, the contractor name, the settlement amount, the court district where the case was filed, the nature of the fraud committed against the government, and a brief description of the case. Although not always included in the DOJ press release, we added, when available through alternate sources, the year of the alleged incident, the year the case was filed, and whether the case was settled out of court or determined by a trial jury. We categorized the data by the dollar value of the settlement and by the presidential administration, based on year. We obtained the contractor NAICS code, DUNS number, and future eligibility for contracts with the U.S. government through the U.S. central contractor registry. The resulting sample consisted of 409 procurement cases for 343 companies totaling $5.03 billion in settlements and judgments.

Figure 1 indicates the number of cases in each year from 2000 through 2014, along with the total amount of payments per year made to settle the cases.

Figure 1: False Claims Act cases closed, 2000-2014



In assessing the incidence of fraud, it is helpful to see which industries are more or less likely to exhibit fraud cases. We identified 6 industry sectors that had high incidences of settled fraud cases between 2000 and 2014 and further analyzed which types of violations were most prevalent in each sector. The top six industry sectors comprise 75 percent of all fraud cases in the sample. See Table 3.

Table 3: Type of Fraud by Industry Code

Nature of Fraud	Waste Management and Remediation Services	Construction	Manufacturing	Professional, Scientific, and Technical Services	Transportation and Warehousing	Information	All others	Total
Conflict of interest	0	0	0	2	0	0	1	3
Contracting/bidding practices	2	10	11	19	8	3	7	60
Disadvantaged business	2	21	1	4	0	0	7	35
Falsified test results/statements	2	6	12	11	0	1	6	38
Kickbacks	0	1	3	5	2	1	6	18
Overbilling	15	6	15	53	10	8	44	151
Pass-through entities	1	0	0	0	0	1	5	7

Product substitution/defective product	1	4	36	14	3	1	9	68
Purchase card fraud	0	0	0	0	0	0	2	2
Theft/misuse of government property	0	0	1	0	1	0	2	4
Violation of law	1	3	5	1	1	0	12	23
Grand Total	24	51	84	109	25	15	101	409

Analyzing procurement contractor fraud by type of fraud and industry, several interesting conclusions are apparent. First, within the top six industry categories, 80% of cases were concentrated in only 3 sectors: Professional, Scientific, and Technical Services (PSTS) with over one-third (35%); Manufacturing (27%); and Construction (17%). The remaining 3 sectors (Transportation, Logistics and Warehousing, Other Support Services, and Information) accounted for less than 9% each.

Secondly, the types of fraud committed vary based upon industry sector. Half of the total cases in the largest offender sector (PSTS) were for overbilling (48%). Manufacturing was most frequently sued for product substitution and/or defective products (43%). In Construction, most cases involved Disadvantaged Business (41%). In disadvantaged business cases, a company falsely purports to be one of the "protected" business classes (e.g. minority owned business, HUB Zone business, woman owned business, Service Disabled Veteran Owned Small Business) to obtain contracts that have been set aside for these groups.

Overall, the most frequently litigated fraud was overbilling across all sectors (35%), followed by Product substitution/defective product (19%) and Contracting/bidding practices (17%). The least typical types of fraud by procurement contractors were Conflict of Interest, Pass-through Entities, and Theft/misuse of government property, each with less than 1% of total cases.

Exploratory Hypotheses

It is surprising that, since the defense industry scandals of the 1980s, little research has been published in the business and society/business ethics field on government contracting fraud. In the 1980s, defense contractors were widely accused of misallocation of costs and overcharging on government defense contracts. In response, the Defense Industry Initiative on Business Ethics and Conduct was established as a voluntary effort by 17 defense contractors to create ethical business practices (e.g., Kurland, 1993). These firms emphasized the value of ethics codes and training to set up a compliance orientation of behaviors to be avoided. This approach has been criticized as a failure to embrace an integrity orientation to inspire individual ethical behavior (Roberts, 2009). But no research that we found has been published about the incidence of contractor fraud and what factors are associated with fraud cases.

As a first step in this exploratory study, we developed two hypotheses that could be tested with this sample of settled procurement fraud cases. The first hypothesis relates to whether specific regulations that mandate ethics and compliance processes had an impact on the number of fraud cases. Recall from earlier in the paper that, following the December 12, 2008 revision to FAR §3.10, government contractors would be required to provide evidence of their ethics and compliance

programs. If regulations requiring ethics and compliance programs were not effective in deterring fraud, then hypothesis 1 would be supported. Using the null hypothesis, the first hypothesis is:

> H1: The number of government procurement fraud Qui Tam cases occurring before 2008 will not significantly differ from those occurring after 2008.

The second hypothesis examines whether political administration affects the incidence of fraud settlements. We note that a Republican administration directed the Justice Department from 2001-2008, while a Democratic administration directed the Justice Department from 2009 to the present (now 2015). Our study spans the entire eight-year presidency of George W. Bush (2001-2008), and the first six years of the Barack Obama presidency (2009-2014). It might be that DOJ policies and practices varied by administration so that the number of cases pursued and settled was substantially different. Preliminary investigation of anti-fraud actions and positions taken suggest that both administrations have positioned themselves as "tough on corporate crime." In 2002, President Bush issued an Executive Order creating the Corporate Fraud Task Force, intended to examine ways to prevent wide-scale corporate accounting fraud.

Likewise, President Obama took an aggressive stance on False Claims early in his term. To encourage Federal agencies to examine vendor payments and payment processes, Obama implemented the Improper Payments Elimination and Recovery Act of 2010 and the Improper Payments Elimination and Recovery Improvement Act of 2012. Because the relative efficacy of the initiatives in either administration is unknown, we will assume that political administration has no impact. We therefore use the null hypothesis, as follows:

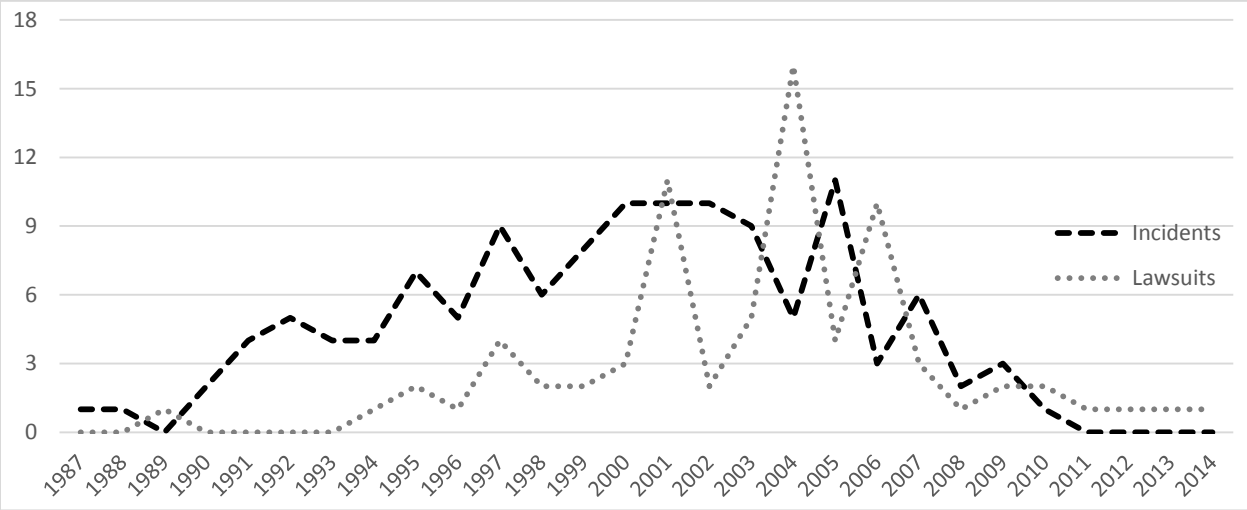
> H2: Political administration has no significant impact on the number of government contracting fraud cases, all else equal.

PRELIMINARY FINDINGS

Recall that the first hypothesis is whether the FAR Ethics & Compliance requirement, beginning in 2008, had an impact on the number of cases that were brought by whistleblowers and joined by the DOJ. To determine whether the number of fraud cases decreased following mandated ethics and compliance programs for government contractors, we examined the year in which the fraud occurred. For those incidents occurring over multiple years, we categorized the data by the first year of the fraud incident. We note that, for cases settled between 2000 and 2014, the fraud incidents that resulted in a false claim against the government occurred between 1987 and 2010. The number of incidents appeared to decrease beginning in 2005, well before the mandated ethics requirement for large government contractors. However, we also note that heightened sentencing guidelines were put into place beginning in 2005.

Likewise, we incorporated the lawsuit filing year to determine whether the ethics requirement and punishments proffered in the FAR impacted the number of cases filed. The number of cases filed reached high points in both 2001 and 2005, which may relate to the changes in presidential administration and updates to the *Guidelines Manual* of the US Sentencing Commission, respectively.

Figure 2: Cases by Incident Year



Our preliminary analysis indicates that, while the number of Qui Tam cases settled/closed has remained consistently in the 30s range since 2008 (Fig. 1), both the number of incidents reported and the number of cases filed have decreased (Fig. 2). Thus we conclude that the null H1 hypothesis is not supported, suggesting that the mandating of ethics and compliance programs in 2008 has been effective either in deterring actual contractor fraud, or perhaps served to discourage potential whistleblowers from reporting fraud.

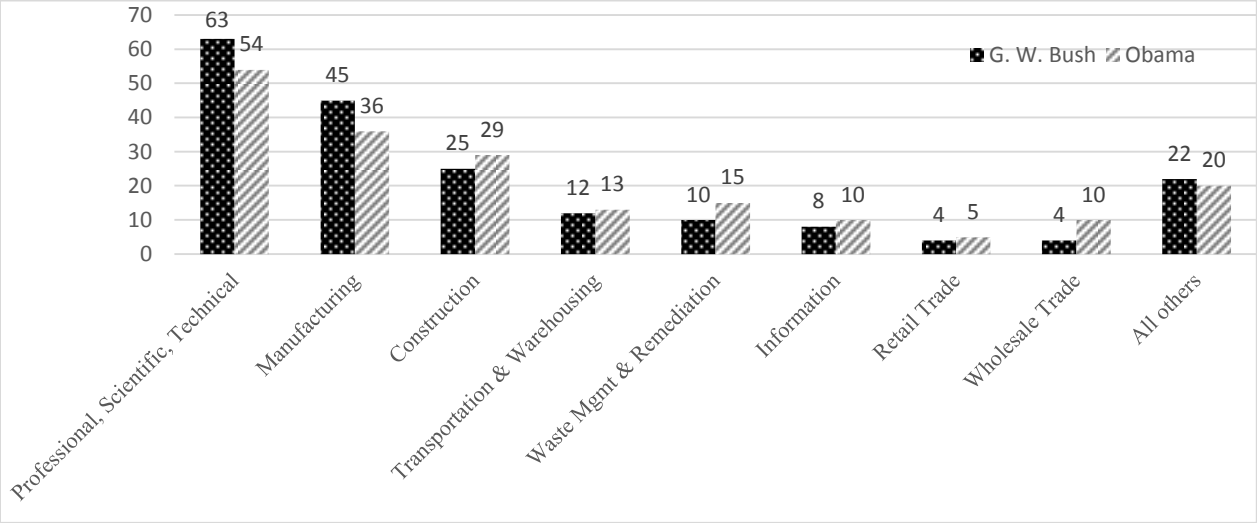
In terms of the second hypothesis, whether political administration has a significant impact on the number of government contracting fraud cases, we note that our study period spans the eight-year presidency of George W. Bush (2001-2008), and the first six years of the Barack Obama presidency (2009-2014). In Table 4, we identify the number of government fraud procurement cases settled by year and amount across the two administrations (2000-2014). Figure 3 illustrates the industry sectors targeted by each administration.

Table 4: Types of Fraud Cases Settled by Administration

	George W. Bush		Barack Obama	
Settlement Category	**Case count**	**Average cases/year**	**Case count**	**Average cases/year**
Disadvantaged Business	11	1.4	24	4
Conflict of interest	1	.125	2	.33
Kickbacks	6	.75	11	1.83
Violation of law	9	1.125	13	2.17
Contracting/bidding practices	25	3.125	31	5.17
Purchase card fraud	1	.125	1	.167
Product Substitution/Defective Product	32	4	31	5.7
Overbilling	78	9.75	63	10.5
Pass-through entities	4	.5	3	.5

Falsified test results/statements	23	2.875	13	2.17
Theft/Misuse of Government Property	3	0.375	0	0
Grand Total	193	24.125	192	32

Figure 3: Industries pursued by administration



The data for types of fraud litigated suggests different priorities by administration. During the first six years of Obama's term the DOJ settled twice as many Disadvantaged Business cases than in the Bush years. Obama's team has pursued other types of fraud more aggressively as well, including Conflict of interest, Kickbacks, Violation of law, and Contracting/bidding practices.

Those types of fraud having more cases settled during the Bush administration included Product substitution/defective product, Overbilling, Pass-through entities, Falsified test results or statements, and Theft/misuse of government property. However, when the number of cases settled by type is converted to average cases per year by administration, the Obama team has been more aggressive as much as double or more the settlements in Disadvantaged Business, Conflict of Interest, Kickbacks, and Violation of law. In fact, the Obama administration has settled, on average per year, more cases in every fraud category except Pass-through entities (equal) Falsified test results/statements (<.7), and Theft/misuse of government property (0 cases for Obama, 3 for Bush).

If the trend holds for the final two years of Obama's term, the null H2 hypothesis will not be supported, suggesting that political administration does make a difference in the prosecution of fraud by government procurement contractors.

When considering only the first term in each of the two administrations in Table 5, we see that the Obama administration pursued all sectors more aggressively with the exception of Miscellaneous/Other.

Table 5: Industries pursued by administration (first term of office)			
Industry	**G. W. Bush 2001-2004**	**Obama 2009-2012**	**Total**
Professional, Scientific, and Technical Services	29	32	61
Manufacturing	18	24	42
Construction	6	19	25
Waste Management and Remediation Services	3	10	13
Information Technology	4	8	12
Transportation and Warehousing	1	8	9
Wholesale Trade	3	5	8
Educational Services	0	3	3
Retail Trade	0	3	3
Finance and Insurance	0	1	1
Other Services (except Public Administration)	0	1	1
Public Administration	0	1	1
Miscellaneous/Other	11	9	20
Total	75	124	199

Of the 199 total cases settled, the Obama administration settled 124 (75%). During his first term the Bush administration settled no cases in 5 of the 14 sectors (Educational Services, Retail Trade, Finance and Insurance, Other Services, and Public Administration); half of the cases in Information Technology fraud; and less than half of those in Construction, Waste Management and Remediation Services, and Transportation and Warehousing. These observations also fail to support H2.

NEXT STEPS IN GOVERNMENT CONTRACTOR FRAUD RESEARCH

In using DOJ press releases from 2000-2014, we became aware of the paucity of information available in the narrative. Obtaining legal briefings for those settlements will provide additional information, especially the date of the incident and the filing date, and will facilitate understanding of the events and regulatory factors that motivated the corporate fraud, encouraged whistleblower reporting, intrigued DOJ to join as a plaintiff in the case, and resulted in a settlement in favor of the U.S. government.

Our DOJ press release data were the most current data available on settlements or judgments. We plan to expand the dataset through 2016, enabling us to more accurately test our second hypothesis using case data from Obama's full two terms, and to more accurately measure corporate response to the December 12, 2008 change to FAR that required contractors to implement and maintain Ethics and Compliance programs. The next phase will compare contractors that have committed fraud to similar firms who have not, using comparative case methodology, to further our understanding of internal processes effective in support of ethics and compliance.

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CSR and Performance **Fits Conference Theme**

Public Policy Avoidance: Economic Patriotism and Social Responsibility in Corporate Inversion, Other Tax Avoidance, and Regulatory Haven Decisions

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Abstract: This paper explores whether and if so why virtuous behavior, good citizenship, and justice theory reach a limit when applied to legal tax and regulatory avoidance. A general conception of public policy avoidance includes such instances as corporate inversion, other tax avoidance, and regulatory haven decisions. These instances are legally permissible choices, but subject to moral and political criticism intended to promote voluntary self-regulation and changes in public policy strengthening regulatory controls. Economic patriotism and corporate social responsibility arguments call for voluntary self-regulation by companies in advance of public policy changes.

Keywords: corporate inversion; corporate social responsibility; economic patriotism; regulatory havens; tax avoidance

INTRODUCTION

This paper explores whether virtuous behavior, good citizenship, and justice theory reach a limit at legal tax and regulatory avoidance. Corporate social responsibility (CSR) has received two contradictory definitions in the literature. One definition restricts CSR to voluntary altruism actions, beyond strict compliance with minimalist legal and business ethics standards. The intent of this restrictive definition is to characterize CSR activities as unprofitable in the short-term. The definition can be relaxed somewhat through notions of strategic philanthropy or stakeholder subsidy of the firm. The other definition expands CSR to encompass business ethics, legal compliance, and corporate citizenship (substituting for voluntary altruism). Lying between restrictive and expansive definitions of CSR is the problem of management's judgment concerning appropriate multi-period strategy for the firm. Multi-period strategy, including reputational effects among influential stakeholders and the possibility of changes in public policy, permits a costly CSR investment in the short term to yield either future profits or stronger reputational capital in the longer term.

In this middle range of multi-period strategy lies the issue addressed by this paper. What is the limit of virtuous behavior, good citizenship, and justice theory in the instance of legal tax and regulatory avoidance options – given the possibility of future public policy changes reducing such options? Dowling (2014: 173) suggests that tax avoidance is a boundary condition for CSR; but Dowling ties law and CSR to a suggestion "that a company should pay its fair share of tax ..."

The present author introduces an expanded notion of public policy avoidance to include instances such as corporate inversion, other tax avoidance devices, and regulatory haven decisions (see Leitzel,

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1996-1997). The purpose is to suggest possible unification of a number of debates which may share an underlying common core. A corporate inversion is a merger or acquisition action in another country which permits legal shift of home jurisdiction of incorporation in a way that minimizes corporate tax liability. There are other possibilities for tax avoidance (or tax sheltering), and there may a variety of regulatory haven decisions (such as pollution havens or tax havens).

Such corporate choices have been recently a political controversy in the U.S. and Europe. The rhetoric of economic patriotism has appeared in both political and academic circles (Obama, 2012: Clift, 2013; Clift & Woll, 2012). One empirical study finds that tax sheltering devices do not on average affect firm value, but do have a positive effect in the presence of good governance of the particular firm (Desai & Dharmapala, 2009). Those authors conclude that tax sheltering is not simply a resource transfer from the state to shareholders.

The remainder of this paper below is organized as follows. The second section explains the relationship of the paper to the conference theme of *Pura Vida*. The third section explains the general concept of public policy avoidance. The fourth section discusses the corporate inversion controversy. The fifth section considers public policy solutions. The sixth section addresses the problem of defining economic patriotism, corporate citizenship, and social responsibility. The seventh section considers whether the phenomenon of the globally footloose multinational enterprise (MNE). A concluding section discusses implications. The references section at the end of the paper attempts to assemble relevant literature for guidance of future scholarship.

RELATIONSHIP OF THIS PAPER TO THE CONFERENCE THEME

The conference theme interprets the Costa Rican idiom *Pura Vida* as Aristotle's eudemonia, or pursuit of individual and community happiness through balanced and virtuous behavior. Adam Smith (*The Theory of Moral Sentiments*, 1759) defined good citizenship as concern for community welfare beyond public policy compliance. Plato stated in *The Republic* (Book I, c. 360 B.C.E.; cited in Rectenwald, 2012: 425): "... when there is an income tax, the just man will pay more and the unjust less on the same amount of income ..." (http://www.online-literature.com/plato/republic/12/). This abstract focuses on tax avoidance, with regulatory avoidance being a broader context. The key problem is why a virtuous, good, or just person should pay more than legal liability defined by tax code technicalities which can be influenced by lobbying. There may be a definable moral right to no more than strict compliance. The moral basis for taxation is contestable (Morris, 2012). This paper explicates a proposed general concept of public policy avoidance by multinational enterprises (MNEs) occurring through corporate inversion, other tax avoidance, and regulatory haven decisions. Critics (bearing in mind there is a government election cycle at work) invoke economic patriotism and social responsibility. The paper relates the concept of public policy avoidance to a concept of globally footloose MNEs practicing purely local citizenship by jurisdiction.

THE CONCEPT OF PUBLIC POLICY AVOIDANCE

This paper addresses what the author terms public policy avoidance by businesses in various forms which are presently legal but subject to ethical and/or political criticism aimed at making specific avoidance decisions illegal in future or deterring such decisions although legal through voluntary

responsiveness. Public policy includes criminal and civil laws but is broader (Wilson, 1989). Responsiveness, of which compliance is a subcategory, can be subject to pressure.

Forms of public policy avoidance of immediate interest include corporate inversion, other tax avoidance actions, and shifting of activities to regulatory havens. On September 22, 2014, in announcing new rules aimed against inversions, Treasury Secretary Jacob Lew stated: "These transactions may be legal, but they're wrong" (Davis, 2014: D1). On September 22, 2014, Treasury Secretary Jacob Lew announced rules intended to reduce or eliminate the economic incentives for inversions (Davis, 2014). Reported opinion among corporate advisers was that the effect would be to make inversion deals less lucrative rather than to halt deals (Advisers, 2014).

In a letter to the Congress which is available online for ready access, Lew (July 15, 2015) wrote (http://online.wsj.com/public/resources/documents/Treasuryletter071514.pdf): "... these firms are attempting to avoid paying taxes here, notwithstanding the benefits they gain from being located in the United States." He characterized the attempt as "effectively renouncing their citizenship to get out of paying taxes" and articulated the notion of economic patriotism: "What we need as a nation is a new sense of economic patriotism, where we all rise or fall together."

The goal of the study is to develop a conceptual framework for defining economic patriotism and corporate social responsibility (CSR) in public policy avoidance decisions (Muller & Kolk, 2012). The study also links this framework to a theory of the globally footloose MNE. Public policy avoidance involves business behavior that is legal but has been characterized by politicians, anti-business activists, and stakeholders as unpatriotic or irresponsible. This condition places public policy avoidance in a zone that arguably defines a boundary condition for CSR (Dowling, 2014). Public policy may have a normative foundation (i.e., ethical principles informed criminal and civil law) or be a purely positive choice (Luft, 1976) without any normative foundation. Fairness of taxation is a tendentious question (Chittenden & Foster, 2008; Mankiw, 2007). One conception of "fair taxation" in the U.S. is replacing federal and state income taxes with a federal retail sales tax (which might not be markedly regressive if there is a high exemption at the lowest income bracket, but is very unlikely to be progressive). Fairness of taxation is about distribution of the burden of taxation (bearing in mind offsetting effects of distribution of benefits).

There are four corporate approaches to managing business-government relations along a continuum from strongly ethical to strongly unethical: (1) strict compliance with public policy; (2) legal lobbying to change public policy; (3) public policy avoidance by shifting in some way; and (3) illegal corruption to change public policy. Compliance is sufficiently ethical. Legal lobbying and public policy avoidance are ethically neutral. Illegal corruption – typically bribes and improper donations – is strongly unethical. Legal lobbying is necessary in constitutional democracy both as protected free speech and as provision of essential information to public officials (Jindal, 2008; Loomis, 2006). Legal lobbying is a prerequisite condition and as such ethically neutral. Indicting public policy avoidance as unethical requires a standard for fair taxation or just compliance (Aynsley, 2014; Mankiw, 2007; Weiss, 1993). Proposed standards are typically political claims in moralistic language.

Kaufmann and Vicente (2011) argue that legislatures determine what forms of corruption are legal or illegal. "When faced with a regulatory constraint, firms can either comply, bribe the regulator to get around the rule, or lobby the government to relax it" (Harstad & Svensson, 2011: 46). Harstad

and Svensson find that at lower levels of country development firms tend to bribe, switching at higher levels of country development to lobbying (see Alexander, Mazza & Scholz, 2009).

CORPORATE INVERSION CONTROVERSY

Corporate inversion is one form of tax avoidance. Other forms include for example "transfer-pricing, re-invoicing, offshore 'special purpose vehicles', ... dubious charitable trusts ..." (Christensen & Murphy, 2004: 37). One article by members of the tax justice network argues that many MNEs are structured in such a way as to "enable tax avoidance in every jurisdiction" (Christensen & Murphy, 2004: 37). The authors view elaborate and aggressive tax avoidance as tax abuse and a fundamental violation of private and corporate citizenship engagement (Christensen & Murphy, 2004: 37). The authors define CSR as publishing "all necessary accounting information" and refraining "from the use of profits-laundering vehicles created without substantial economic purpose" (Christensen & Murphy, 2004: 37). Senator Charles Schumer (D-NY) called for Congressional legislation to stop "earnings stripping" in which a parent company loads a U.S. subsidiary with tax-deductible debt (Davis, 2014, D6). The EU commission finds that low tax treatment for Apple in Ireland, where the firm "funnels the bulk of its international sales through subsidiaries" using "exaggerated transfer pricing" (Baetz, 2014), is state aid that may be illegal under EU law. Ireland prefers to attract foreign businesses to a low tax haven over maximizing tax revenues per business otherwise choosing to locate there. The transfer pricing problem lacks a widely-accepted theoretical solution and is a matter of proposed norm (Baistrocchi, 2006). Problems in defining policy are that (1) the arms-length standard (ALS) (Rectenwald, 2012: 426) must be estimated as there is no external transaction, (2) there is a cycle of offshore tax deferral while waiting for a repatriation holiday (Rectenwald, 2012: 449), and (3) there are disagreements (such as the Irish tax haven policy) hindering intergovernmental cooperation.

In a corporate inversion, a firm merges with a smaller firm in a different country and relocates its legal business address to the other country (Freedman, 2014). Recent inversions include pharmaceuticals AbbVie (Chicago) and Mylan (Pittsburgh) shifting to Europe (Freedman, 2014). Walgreen Co. decided not to invert (Freedman, 2014). It is not strictly established that tax breaks drive corporate inversions (Hall, 2014).

In September 2014, five liberal U.S. Senators (four Democrats and one Independent) sent a letter to the CEO of Burger King opposing move of its corporate headquarters to Canada from Miami. The letter reads in part: "We believe you will find that turning your back on your loyal U.S. taxpaying customers by renouncing your corporate citizenship is not in the best interest of Burger King or its shareholders." The letter also accuses Burger King in the words of a news report "of trying to avoid paying its fair share for roads and other public services it receives in the United States" (Senators, 2014). The letter contains the following notions: loyalty, corporate citizenship, best interest, fair share, and corporate benefit ("roads and other public services").

In the period preceding the Scottish (referendum) vote on September 18, 2014, on independence from the United Kingdom, some important businesses expressed opposition to independence. Standard Life insurance stated it might shift operations and legal entities (Rankin, Carnell & Mongahan, 2014). Royal Dutch Shell and BP warned against secession because reportedly concerned by the prospect of increased oil production taxes levied by Scotland (Eaton, 2014b). Two

leading banks warned they would move corporate headquarters (Royal Bank of Scotland, which is majority owned by UK taxpayers following the 2008 government bailout) or legal entities (Lloyds Banking Group owner of Halifax and Bank of Scotland) to England (Hui & Kelbie, 2014).

There appear to be three kinds of corporate inversions: (1) to please host country regulators; (2) to reduce aggregate tax liability; (3) to take advantage of regulation havens. Burger King's shift to Canada appears to be an instance of pleasing Canadian regulators concerning acquisition of a Canadian firm rather than (2) or (3). There are individual inversions through change in citizenship or residence, or involvement in tax avoidance schemes that have operated through Switzerland for instance. There is an inquiry into so-called "dividend arbitrage" operating mostly through London as a scheme whereby banks temporarily transfer ownership of client shares to a lower-tax jurisdiction when a dividend is expected (Strasburg, 2014).

Accenture, once Andersen Consulting, went to Bermuda in a 2001 inversion and is now incorporated in Ireland (Bump, 2014). Certain oil field services providers originally headquartered in Houston moved early (Freedman, 2014). Transocean moved to the Cayman Islands (1999), and then to Switzerland (2008). Noble Corp. moved to the Cayman Islands (2002), then to Switzerland (2009), and then to London (2013). Weatherford International moved to Bermuda (2002) and then to Switzerland (2008) (Eaton, 2014a). The three firms saved an estimated $2.923 billion in taxes during 2002-2009 (Freedman, 2014). A corporate inversion both saves taxes and facilitates repatriation of foreign earnings to the U.S. (Freedman, 2014). The Congressional Research Service (Marples & Gravelle, 2014) reported 75 firms had made inversions over the past two decades (Freedman, 2014).

PUBLIC POLICY SOLUTIONS

The most general approach to altering economic inversions would be to reduce corporate tax rates and go to residence-neutral taxation so that location is irrelevant. Mr. Lew's observation (quoted earlier) about benefits suggests benefit taxation (i.e., user charges) rather than ability-to-pay taxation (i.e., deep pockets). The U.S. may have the highest corporate tax rate in the OECD (combining federal, state, and local taxes). Public policy solutions may tend to create new loopholes. A 2004 law attempted to reduce inversions by requiring a 20 percent threshold: former U.S. shareholders must own less than 80 percent of the merged company (Freedman, 2014). Firms introverting prior to the law are not affected by the requirement (Freedman, 2014).

Another possibility to consider is that regulatory havens reflect defects in regulation and/or absence of international coordination. With respect to tax havens (see Ali Abbas et al., 2012; Krugman, 2013), Kay (2013) has recommended a number of possible reforms: "... removing interest deductibility, introducing an allowance for the cost of corporate equity or shifting the tax base towards cash flow rather than accounting profit. ... Opportunities for tax avoidance are everywhere and always the consequence of rules that treat economically similar transactions differently." Additionally, such rules as exist are rarely enforced, as authorities prefer to negotiate (Kay, 2013). Kay advocates taxing shareholders rather than companies, and if necessary for some reason to tax companies then to tax free cash flow or economic rent (i.e., earnings in excess of cost of capital).

The recent spate of corporate inversions in the pharmaceutical industry likely reflects high profitability such that there are significant tax advantages (Professor Mark V. Pauly, quoted in Capital Flight, 2014). One proposed policy option is to reduce the U.S. corporate tax rate and tax code complexity. The Obama administration proposes requiring shareholders to own 50 percent of the new entity, and a so-called "smell test" in which companies operating primarily in the U.S. would be treated for tax purposes as U.S. corporations (Freedman, 2014).

Another proposed policy option is international cooperation (Bank, 2013). OECD is working on plans for exchange of information concerning corporate tax-avoidance strategies (Bloomberg News, 2014b). The OECD Secretary-General stated that MNEs hold an estimated $2 trillion in low-tax jurisdictions (Bloomberg News, 2014b). In late October 2014, 51 countries signed an accord to combat tax evasion through automatic exchange of tax information from 2017; however, Switzerland and the U.S. were not signatories. Switzerland maintains marked banking system secrecy; and the U.S. has opted to pursue its own strategy (Smale, 2014). The 51 signatories are members of the 123-country Global Forum organized by Germany and the UK to address tax evasion and fraud (Smale, 2014). The broader policy problem is to coordinate tax policy as distinct from tax enforcement through information exchange.

A domestic analogue to corporate inversion is REIT conversion (Sullivan, 2014), which does not involve shift in legal domicile. A REIT is a real estate investment trust receives most of its income from real estate and must by law pay out most of that income as dividends to shareholders. The REIT was created in 1960 in the Cigar Excise Tax Extension as an opportunity for small investors. Corporations not engaged in traditional real estate business can spin off real estate assets into independent entities electing REIT status. Those assets can be nontraditional: billboard, cell towers, data centers, document storage facilities, and timber (Sullivan, 2014). Sullivan estimates that 20 REITs studied will reduce taxable corporate revenues by $900 million to $2.2 billion annually.

Medtronic is acquiring Covidien, Ireland, for $43 billion to invert. In August, Medtronic disclosed intention to reimburse its CEO for a $24.8 million inversion-generated tax bill. The 2004 law imposed a 15 percent tax on stock and option awards given to personnel of inverting companies (Capital Flight, 2014). While the new Treasury rules apparently halted a Salix Pharmaceuticals merger with an Italian drug firm's subsidiary, Medtronic disclosed in September that it will borrow part of the funds for the Covidien acquisition (Overseas, 2014).

DEFINING ECONOMIC PATRIOTISM, CORPORATE CITIZENSHIP, AND SOCIAL RESPONSIBILITY

Tax avoidance has become a hot topic in the UK and Europe, and seems particularly directed at U.S. firms and certain tax havens within or near the European Union (Krugman, 2013). Preuss (2012) questions whether a tax avoiding firm can claim to be socially responsible. For instance, Starbucks has been a target of expressed concerns (Fairless, 2015). Apple has been another prominent company under public scrutiny (Lochhead, 2013a, 2013b). CEOs assert two positions: (1) tax law compliance (Bloomberg News, 2014a); or (2) fair share payment, a moral argument (Lochhead, 2013b). Within the European Union, while not alone Ireland and Luxembourg have been under particular pressure to reform tax policies attracting U.S. companies (EU calls Dutch on

carpet over Starbucks taxes, 2014; Ireland, Still Addicted to Tax Breaks, 2014; Luxembourg's tax deals cause global criticism, 2014). This paper does not undertake to provide a systematic survey.

Jenkins and Newell (2013) make a case for including taxation as a topic in progressive CSR. The term economic patriotism traces to at least 1985 with William Safire concerning national defense spending (Bump, 2014). Obama used the term in the 2012 presidential campaign (Bump, 2014; Obama, 2012). The notion of "economic patriotism" or "corporate citizenship" as true citizen of a home country is in conflict with realities of global business opportunities (Foroohar, 2012). A rather different view of economic patriotism was expressed by a prominent U.S. banking CEO: "Jamie Dimon, the chief executive of JPMorgan Chase, which last week put aside $1.1bn in fresh provisions for legal expenses, questioned whether it was 'American' to force banks to deal with a number of regulators and their fines" (quoted in Binham, 2015).

Fiat's then chief executive reportedly stated that the company is "Italian based but not an Italian company" (*Financial Times*, 2010). MNEs may have a natural tendency to "decenter" (or unbundle) for business purposes (Desai, 2009). Halliburton operates co-offices in Houston (headquarters) and Dubai (field operations).

Figure 1 provides a proposed typology of businesses structured by two distinctions. The horizontal (top) stub of the figure differentiates businesses into domestic, nationally anchored MNEs, and globally footloose MNEs. The vertical (left) stub of the figure distinguishes between two ideologies: a "commercial republic" (the term has been long used) and a middle-class commonwealth (the term is proposed here). A commercial republic conception emphasizes relatively free markets and lobbying governments for benefits, and reflects an assumption of pure self-interest (or egoism). A middle-class commonwealth conception is consistent with Aristotle's conception of eudemonia. The conception emphasizes virtue in the form of "citizenship" activities and strategic CSR actions as prudence. The figure is organized horizontally to emphasize that certain aspects of the conception become more pronounced with the nationally anchored MNE (lobbying versus virtue) and the globally footloose MNE (egoism versus prudence). The MNE can enter or exit countries, and the globally footloose MNE does not maintain even the appearance of national anchoring. A purely domestic firm is more likely empirically to combine the two ideologies.

Figure 1. A Typology of Businesses Classified by Type of Business and Type of Ideology
Three Types of Business (horizontal top stub)
Two Competing Ideologies (vertical left stub)

Domestic Business	Nationally Anchored MNE	Globally Footloose MNE
"Commercial Republic" (markets)	lobbying governments for firm benefits (political "rules of the game")	pure self-interest (egoism)
Middle-Class Commonwealth (eudemonia)	"citizenship" activities (virtue)	strategic CSR actions (prudence)

The "commercial republic" conception (Elkin, 1994, 2001) is illustrated by the following comment: "Google's tax avoidance is called 'capitalism', says chairman Eric Schmidt" (Google's tax avoidance, 2012). The middle-class commonwealth conception reflects the emphasis by the Obama Administration on middle class concerns (see Selznick, 1992).

Justice Strine, previously Chancellor of the Delaware Court of Chancery and now Chief Justice of the Delaware Supreme Court, makes three key points. First, firms are profit-seeking organizations, staffed by profit-oriented people: "Instead of recognizing that for-profit corporations will seek profit for their stockholders using all legal means available, we imbue these corporations with a personality and assume they are moral beings capable of being 'better' in the long-run than the lowest common denominator" (Strine, 2012: 136). Second, the effectiveness of voluntary self-regulation is limited: "In the end, policy makers should not delude themselves about the corporation's ability to police itself; government still has a critical role in setting the rules of the game" (Strine, 2012: 136). Third, international cooperation – of the type needed to address regulatory havens – is difficult to achieve: "The coalition- and consensus-building required to develop an effective global (or at the least, OECD-wide) scheme of externality regulation will require enormous leadership and dedication. But it cannot even begin if we delude ourselves into believing that corporations will effectively regulate themselves" (Strine, 2012: 172) (see UNCTAD, 2015).

Fair Tax Mark, launched in February 2014, is a private certification that a firm complies with standards for fair tax compliance. SSE plc, the second largest UK energy supplier and a FTSE100 company, has Fair Tax accreditation (http://fairtaxmark.net/). SSE is the first FTSE100 to get accreditation (SSE trailblazes, 2014). A study using 217 tax-avoidant and 217 non-tax-avoidant firm-year observations for 2003-2009 from the Kinder, Lydenberg, and Domini database finds that more socially responsible firms display less tax avoidance (Lanis & Richardson, 2015). The CSR categories for community relations and diversity are particularly important in this relationship.

THEORY OF THE GLOBALLY FOOTLOOSE MNE

There is a scattered literature around the idea of globally footloose MNEs (Goerg & Strobl, 2002; Orts, 2002a, 2002b, 2004; Van Beveren, 2006) or born-global MNEs (Knight & Cavusgil, 2004; Trudgen & Freeman, 2014). A globally footloose MNE is one owing no loyalty to any particular sovereignty: "Where the corporate globalists seek a competitive global economy ruled by megacorporations that owe no loyalty to place or person, citizen movements seek a planetary system of economies made up of locally owned enterprises accountable to all their stakeholders" (Cavanagh et al., 2002: 6). Decentering and also what the present author will term "wandering" (from location to location) suggest the likelihood of shared sovereignty actors in the middle of a distinction between sovereignty free and sovereignty bound actors (Rosenau, 1990).

CONCLUSION AND IMPLICATIONS

Criticisms of corporate behavior are intended to influence outcomes for proposed policy reforms or to threaten businesses to refrain from maximizing gains out of risk aversion. Strictly legal actions are ethically neutral rather than ethically suspect, although certainly not ethically superior (i.e., virtuous, good, and just). A "loophole" is commonly defined as "A technicality that allows a person or business to avoid the scope of a law or restriction without directly violating the law" (http://www.investopedia.com/terms/l/loophole.asp). Imperfect tax codes, riddled with loopholes or technicalities and varying globally by jurisdiction, permit persons or entities to minimize tax payments. A tax code is a set of detailed rules, rather than a set of guiding principles. Dworkin (1978) distinguishes among policy, principle, and rule. There is no economic, political, or strategic

advantage for a person or an entity to pay any tax beyond legal liability – ignoring risk aversion and reputational considerations. While a person or privately-owned entity might view overpayment (or over-compliance) as a virtue, in a publicly traded entity the notion of fiduciary responsibility to shareholders (whatever its inherent defects) must arguably be strongest in tax decisions. One solution is international cooperation, such that there is no location advantage with respect to tax liability or regulatory burden. There may be other location advantages, as reflected in Burger King's decision to relocate to Canada. Walgreen's decision not to relocate reflects some balance of considerations. A second solution is some form of domestic tax reform such that the problem of international cooperation does not arise. A third solution is virtuous or responsible management, but virtue or responsibility takes the form of overpayment in violation of fiduciary responsibility. Economic patriotism is meaningful for domestic firms, with no option or interest to operate trans-nationally. The appeal cannot have useful relevance for an MNE operating across multiple jurisdictions. Perfect regulation is unlikely, and virtue or responsibility assumes a peculiar meaning for an MNE. Public policy is open to influence efforts by the very MNEs to be regulated; and those MNEs may have opportunities to shift activities among jurisdictions in competition with one another. An appeal to superior virtue is not a demonstration that harm is occurring in legal compliance.

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Governance

Corporate Political Activities: Evaluating the Criteria Applied by the Center for Political Accountability in Rating Corporate Policies

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Abstract: This paper examines and criticizes the criteria developed by the Center for Political Accountability (CPA) to rank the political responsibility of corporations and their response to the demands for greater disclosure of their political activities to investors. It first examines the underlying rationale for greater disclosure and offers five overall criticisms of CPA criteria, including especially five elements of corruption not included in the criteria. Based on an examination of the websites of the top 100 corporations in the CPA rankings, to ascertain the level of disclosure on those five elements of corruption, this paper then develops new scores and rankings for those corporations, which demonstrate significant changes in the original scores and rankings.

Keywords: CPA; CPA criteria

INTRODUCTION

The Supreme Court's decision on *Citizens United v. Federal Election Commission* in 2010 has stimulated much concern over the level of money, and especially corporate money, that can be spent or contributed to candidate electoral campaigns. That has in turn generated more concern, including investor concern, over corporate political activities in general. Capitalizing on that concern, as well as catalyzing even more concern, has been the Center on Corporate Political Accountability (CPA) of the Zicklin Center on Business Ethics of the Wharton School at the University of Pennsylvania. The CPA has formulated a model shareholder resolution on corporate political activity that has been adapted and applied by some institutional investors and introduced at many large corporations. Even more importantly, the CPA has developed criteria used to evaluate corporate political practices, and on the basis of corporate compliance with those criteria, has ranked corporations (CPA, 2014). In so doing, the CPA is effectively developing a standard on which corporations can be compared and evaluated, and thus become known as the standard setter.

PURPOSE

The purpose of this study is to critique the criteria developed and applied by the CPA and to offer an alternative analysis. Before doing that, this paper will first provide some legal and political

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background for the concern over the *Citizens United* decision and its potential impact on corporate political activity. It will then briefly examine the role and value that disclosure might play as a remedy for such a concern. The paper will then discuss the model shareholder resolution developed by the CPA, followed by a close examination of the criteria developed and applied in the CPA rankings. Finally, the paper will offer a competing ranking of the top tier of corporations in the latest CPA study.

LEGAL AND POLITICAL BACKGROUND

The *Citizens United* decision ruled that limits on political spending on issues, even if that spending related to a political candidate, are a violation of the First Amendment freedom of political expression. It thereby overturned a major provision of the 2002 Bipartisan Campaign Reform Act (McCain-Feingold Law) and reversed the previous decision of *Austin v. Michigan Chamber of Commerce*, decided in 1990, which had upheld a prohibition of corporate spending on candidate endorsements with corporate treasury funds. After the *Citizens United* decision, there ensued a hue and cry over the possibility and even likelihood of corporate domination of candidate elections (Vogel, 2014).

Politically, the Court's ruling stimulated the formation of various super PACs and expansion of 501(c)(4) committees, to serve as avenues for channeling political money into electoral races. Among the legal distinctions between those two mechanisms, most crucial is that the identity of donors to super PACs must be disclosed, while donors to c-4 committees do not have to be disclosed (Drutman, 2016; Weissman and Hassan, 2006). That becomes an important distinction to consider, since disclosure has been offered as the appropriate remedy to concerns over unlimited money flowing into candidate elections. If an individual or corporation is to choose between the two, the super PAC could be seen as a more effective and efficient mechanism, since all of the money in a super PAC can be devoted to support for or opposition to a candidate. Meanwhile, a c-4 committee serves several political roles, only one of which is spending money on candidate elections. Hence, contributions to a c-4 committee, even though they do not have to be disclosed, have a less certain impact on candidate elections, depending on how the c-4 would decide to allocate its funds. The I.R.S. is also scrutinizing c-4 organizations, to insure that they do not spend more than 49 percent of their resources on election campaigns, since they are officially considered "social welfare" groups. Moreover, the I.R.S. is considering further restrictions on their activity, to which organizations from both the left and the right object (Hulse, 2014).

Whatever the role and effectiveness of disclosure as a way to blunt the impact of more political spending and contributions, the premise underlying the political concern over more corporate influence in elections and underlying the CPA rankings is that corporations would be giving money in large amounts to super PACs and c-4 committees. The data so far, however, indicate that the concern is misdirected and the premise is invalid. Super PACs are growing in numbers, financial resources, and impact. The super PAC sponsored by the Koch Brothers played a larger role in the 2012 elections than either political party, so the threat of their power is real (Bump, 2014). The data, however, indicate that corporations are shunning the use of super PACs. For instance, of the $650 million raised in 2012 by super PACs, only $75 million came from corporations (Beckel, 2013). Further, a survey of 151 corporate PAC staffers in 2012 revealed that 93 percent of corporations surveyed do not support super PACs, though 26 percent of trade associations do take advantage of super PACs or other independent entities (Richardson and Rehr, 2012). The most common support

for super PACs comes from wealthy individuals, such as the libertarian Koch brothers or George Soros on the Left.
Corporations avoid the use of super PACs and other so-called independent entities due to fear of reputational damage. Their identities are disclosed currently if they contribute to super PACs, and enterprising reporters often discover the identities of c-4 contributors as well. Hence, most companies prefer not to contribute high amounts through super PACs but to instead use affiliated political action committees (PACs), which are legally regulated and subject to limits. Traditional PACs raise voluntary contributions from corporate employees, and then distribute those amounts to candidates, subject to limits of $5,000 per election. Donating such so-called hard money is viewed as a more legitimate and less problematic way of becoming involved in electoral campaigns.

DISCLOSURE

In his majority opinion in the *Citizens United* case, Justice Kennedy suggested that the fears over potential corruption arising from unlimited spending could be addressed through greater disclosure. As suggested, the "dark money" flows more from c-4 committees than from super PACs, so calls for greater disclosure are aimed more at the former than the latter. Three policy actors followed Justice Kennedy's signal and have urged more disclosure. First, congressional representatives proposed a DISCLOSE Act, thus far not passed, to address the issue (Drutman, 2016). Second, a group of law professors petitioned the Securities and Exchange Commission (SEC) to pass a rule requiring disclosure of corporate political spending, also thus far not passed. Third, some investor groups have proposed shareholder resolutions requiring corporations to disclose their political activities, which is also what the CPA has promoted.

While there are strong arguments in favor of disclosure as a regulatory approach across many policy areas, the arguments are not totally on one side of the equation. There are some arguments that disclosure may not be a suitable solution to the problem of corruption or excessive spending on politics. First, one of the concerns about large infusions of political money is that it will lead to distrust in government. Knowing the sources of that political money may not alleviate distrust but may actually feed the distrust, depending on the identity of the contributors. Sunlight may be a good disinfectant in some cases, but in others it may merely shine the light on unknown or unsurprising contributors. Since few corporations give to super PACs, and if they also show such restraint toward c-4 committees, greater disclosure could alleviate some of the distrust of corporations, which might be a laudable result, but would not alleviate distrust in government. If the amounts of political money are driving the distrust, only spending limits or public funding of elections, not disclosure, might alleviate that distrust.

In fact, the history of campaign finance reform argues against disclosure as an adequate cure. The Federal Election Campaign Act of 1972 instituted disclosure as the primary cure, and yet corporations and others evaded the disclosure requirements in the 1972 election, leading to calls for actual limits that were imposed by the Federal Election Campaign Act amendments of 1974. Only when the Supreme Court declared the spending limits unconstitutional in the 1976 case of *Buckley v. Valeo*, and reinforced in other decisions up to and including the *Citizens United* case, did campaign reformers revert to supporting stronger disclosure regulations earlier decried as insufficient.

One reason that disclosure is not the ultimate cure could be public ignorance and apathy about the precise identity of large contributors, as well as apathy about campaign finance in general. While that may be the case for voters, it does seem that investors do care about corporate political expenditures, if one can judge by the votes on shareholder resolutions calling for greater disclosure. Almost as popular as environmental resolutions in 2015 were those related to political spending and lobbying, which were the leading topic of shareholder proposals from 2012-2014. Not only have the number of resolutions on corporate political activity been impressive, but also so have the votes in favor of their passage. According to the CPA, the average vote in support of such resolutions has exceeded 30 percent, which is comparatively very high. Even so, most corporations targeted by disclosure resolutions on corporate political activities have urged votes against the resolutions, and then emphasize that the 30 percent support level falls far short of majority. As AT&T Corporation responded to such a proposal, "It's worth noting that while for six of the last seven years a political contributions disclosure proposal has been included in our proxy statement, in none of these years has the proposal received more than 32 percent of the votes cast, which suggests that our stockholders are satisfied with our current level of disclosures." Often in rejecting such shareholder proposals, a corporation will also note that it engages in such political activities to serve its fiduciary duty to shareholders.

Before determining whether or not disclosure is an effective or appropriate cure, the downsides to disclosure should also be acknowledged. First, it could lead to intimidation of contributors. Individuals supporting c-4 committees that support controversial candidates, or corporations supporting any c-4 committees, could be vilified, especially in the age of social media (Drutman, 2016). Donor anonymity has also been protected by two Supreme Court rulings, in order to prevent retaliation against donors, in the cases of *NAACP v. Alabama* and *McIntyre v. Ohio Elections Commission* (Edsall, 2014). Sources that are disclosed could also face massive solicitation campaigns from other super PACs, candidates, and other political organizations. Often individuals want to remain anonymous to avoid such harassment and numerous solicitations. Meanwhile, technology enables the targeting of prospective donors. Finally, the very disclosure of donor identities could have a chilling effect on their interest and willingness to contribute to candidates and participate in politics. That is indeed mentioned as the underlying purpose of disclosure campaigns, to actually discourage the conduct itself. While that might serve the purpose of campaign finance reformers and corporate critics, it undermines the value of citizen participation in politics, whether those citizens are individuals or corporations.

CRITIQUE OF CPA CRITERIA AND RANKING

Indicating the priorities of the CPA, it has proposed a model shareholder resolution that emphasizes disclosure of the following political activities: (1) report soft money contributions, independent expenditures, and payments to trade associations and other tax exempt organizations that are used for political purposes; (2) identify the titles of the individuals involved in the expenditure decisions; (3) Disclose their political spending guidelines; and (4) require the board of directors to conduct oversight of the company's political spending. Some shareholder resolutions have gone beyond or adapted these elements to request bans on corporate political activities, as with resolutions submitted to
Bank of America, 3M, and Target, while others have requested shareholder approval of corporate political activities. The total number of criteria used in CPA's 2014 rankings go beyond the four

mentioned in the model shareholder resolution and includes 24 questions. Most of the questions concern disclosure of various kinds and amounts of political spending and activities, though they strangely do not ask about spending on corporate direct lobbying. Other questions ask about the existence of a corporate policy on areas of political involvement, and seven of the questions relate to the existence and responsibilities of any board committees or corporate officers that might oversee corporate political involvement (CPA, 2014).

In examining the criteria applied by the CPA, this paper will offer five criticisms of those criteria. The criteria are both underinclusive and overinclusive in addressing elements of corruption. The 24 questions first ignore important political activities that are more corrupting than several others addressed by the CPA criteria. Second, the questions address other items that are really not related to corruption and are unimportant to investors. To have those items disclosed would not really serve any purpose and should not be used in ranking corporations. Third, while the 24 questions include one item on whether a company has its own affiliated political action committee as its sole vehicle for making political contributions, an answer to that question is not scored in ranking that corporation. Evidently, the CPA is ambivalent on whether having a PAC is a positive or negative. It can certainly be argued that using a legitimate and legally regulated entity, as its sole vehicle in electoral activities, should bring credit to the corporation. Only a bias against any form of corporate political involvement would lead to not according any credit for having a PAC. Fourth, the 24 questions and criteria applied by the CPA create the danger of establishing a check-the-box test for corporate political responsibility. Meeting the checklist of the CPA may not reflect a culture of political integrity, and some items might apply to some corporations and not to others. Fifth and finally, the CPA now has a monopoly as the standard setter in ranking the political responsibility of firms. That is particularly dangerous if, as this paper argues, the criteria applied have any notable weaknesses. It both invests more power in the ranking than it deserves and may be very misleading and deceptive as an indicator of corporate political responsibility. Of the five criticisms just mentioned, the remainder of this section will further develop the first two and most important criticisms, that the criteria ignore important elements of corruption while simultaneously including elements that are trivial and unimportant.

Elements of Corruption Ignored

Within the 24 questions and criteria imposed by the CPA, and corporate practices to be disclosed, several key items of corruption or potential corruption are ignored. In fact, the following five items could be considered more serious and more corrupting than the political spending items that the CPA wants disclosed. First, while the CPA criteria include several aspects of contributions or expenditures on electoral campaigns, such as donations to c-4 committees or business associations, they do not include any questions related to direct lobbying. That is curious because the CPA does not offer any rationale for that omission; while corporations spend ten times as much on direct lobbying as they do on campaign spending (Firestone, 2014). If investors are interested in the political role played by corporations, they might first and foremost want to know about the extent of corporate lobbying and on what issues the corporation lobbies.

Second, the CPA questions include none on corporate contributions to political party conventions. While the FEC considers conventions "nonpolitical civic events," that is really not a credible label. Party conventions are clearly partisan in nature, and they provide a rich opportunity for corporate

executives to mingle with candidates and party officials, and to host receptions for candidates and party donors. Over time, the amount of private money supporting party conventions increased dramatically from 14 percent in 1992 to 60 percent in 2004. To support the 2008 Republican and Democrat party conventions, 170 corporations gave $112 million. That amount does not reflect the large amounts donated by politically connected law firms that would be representing the interests of many corporate clients.

Third, while the CPA criteria focus on contributions to political committees established to directly aid a candidate's election campaign, they exclude contributions to nonprofit organizations and foundations connected to political candidates, where the candidates might highly appreciate any contributions, especially since sizable contributions are subject to no legal limits (Lipton, 2014b). The controversy surrounding gifts from corporations and even foreign governments to the Clinton Foundation, and the access they have provided to presidential candidate Hillary Clinton, is the most dramatic example to date (Schweizer, 2015). Examples exist for leading candidates in both parties, though. Senator John McCain, the Republican presidential candidate in 2008, is chairman of the International Republican Institute (IRI), which had a budget of $78 million in 2008 and operations in 70 countries. Funders of the IRI include defense contractors, oil companies, and lobbyists, and IRI board members raised political contributions for the McCain campaign. Further, corporations support congressional caucuses, whose members surely appreciate that support, even when they are not running for re-election and may be raising smaller contributions from the same corporate donors. Such support might also be instrumental in gaining access to minority members of Congress. Donors to the Congressional Black Caucus, for example, have included Coca-Cola with a $285,000 gift and AstraZeneca with a $245,000 gift. Finally, corporations can support think tanks sympathetic or connected to one of the political parties. The Democratic Leadership Council and Center for American Progress both lean heavily to the Democratic Party agenda, while the American Enterprise Institute and Heritage Foundation lean more heavily to the Republican Party agenda. Corporations that engage in what might be called public policy philanthropy can establish indirect influence with the political parties and policy-minded candidates and legislators.

Fourth, the CPA criteria make no mention of or request no disclosure of contributions to state judicial candidates. There are 39 states with elected judges, where corporations and law firms can make political contributions. Given that judicial independence and integrity are hallmarks of the system, political contributions to judicial races are the most problematic and potentially corrupting of all types of contributions (Abramovsky, 2012; Brandenburg and Schotland, 2008; Shugerman, 2012; Samuels, 2014). In fact, one leading authority of judicial ethics has made a case that judicial elections are unconstitutional, and most legal scholars argue that a system of appointed judges is far superior (Freedman, 2013). While elections might accomplish greater accountability to voters, they do so at the supreme sacrifice of judicial independence. The Supreme Court, in the case of *Caperton v. A.T. Massey Coal Company*, ruled that a $3 million contribution by the coal company's CEO to a candidate for chief justice of the West Virginia state supreme court, violated the due process clause of the Constitution. The chief justice voted in favor of the coal company, striking down a $50 million jury verdict. The Supreme Court ruled that a judge receiving a campaign contribution in such a case should recuse himself from voting on a legal issue involving the donor (Gibson and Caldeira, 2013). However, those types of contributions, though ethically problematic, are still legally allowed in 39 states. There are also several political organizations that influence judicial elections, to which many corporations and law firms have contributed money (Wilson, 2014; Eckholm, 2014;

Corriher and Paiva, 2014; Blinder, 2014). Given the corrupting potential of such contributions, the CPA might have focused on the need for corporations to disclose such contributions.

The CPA lumps together spending and contributions on all political races and does not distinguish between races for different political offices. Beyond the ethically problematic nature of contributions to state judicial races, contributions to candidates for state attorney general positions raise similar questions. They too are officers in the administration of justice, where independence and integrity loom as all important, as compared with members of the legislature and other executive offices. For the latter offices, accountability may be more important than independence, leaving more latitude for constituency pressures. Scandals have touched the conduct of several attorneys general, based on their decisions in favor of well-connected contributors (Edmonds, 2014; Lipton, 2014a; Katz, 2015). An investigative report by *The New York Times*, based on 6,000 emails, found that lobbyists and lawyers used campaign contributions to push state attorneys general to "drop investigations, change policies, negotiate favorable settlements, or pressure federal regulators." The Institute for Legal Reform, affiliated with the U.S. Chamber of Commerce, has been heavily involved in defeating candidates for attorney general viewed as unfavorable to business interests (Katz, 2015).

Fifth, the CPA also ignores the issue of bundling of campaign contributions in its criteria and questions. Once again, it ignores an issue that may be one of the most corrupting aspects of political contributions and spending. Bundling is the act of aggregating individual contributions up to the legal maximum of $2,700 and then channeling them to political candidates. Hence, a bundler could combine 100 contributions of $2,700 each and thus channel $270,000 to a single candidate. While the amount of $2,700 is deemed not to be corrupting under the campaign finance laws, more serious questions arise when a single individual channels $270,000 or conceivably much more to a candidate. While the motivation of a company spending large amounts through a super PAC on ads for a candidate clearly relate to corporate self-interest, the motivation for bundlers may be even more nefarious. That individual is obviously interested in taking credit for the contributions and has selfish motives. As an indication, 80 percent of bundlers who raised more than $500,000 each for the 2012 Obama presidential campaign were rewarded with administration jobs. The news of such benefits also travels, as 260 new bundlers joined the fund-raising efforts of the 2012 campaign. A total of $200 million was raised in bundled funds in the 2012 presidential election.

Bundling also opens doors for both corporate executives and for lobbyists representing their interests. Even at the highest corporate levels, bundling occurs. For instance, Henry McKinnell, then CEO of Pfizer, bundled $250,000 in contributions to both political parties in 2004. More typically, lobbyists representing corporations are top bundlers, though they bundle contributions more for their own personal benefit than for the interests of their clients. They have personal interests in landing a position of ambassador or other administration positions, or embellishing their own reputations for access to politicians (Itkowitz, 2014). Obama bundlers in 2012 included Robert Wolf, a UBS executive who bundled $1.3 million, and William A. Von Hoene, Jr., an Exelon executive and head of its lobbying team, who bundled over $500,000. In Obama's case, while he might officially adhere to a policy of not accepting contributions from lobbyists, they can evade that policy by bundling contributions from others, and for more personal motivations. Romney bundlers in 2012 included Patrick Durkin, a lobbyist for Barclay's, who raised $400,000; and Bruce A. Gates, a lobbyist for Altria, who raised $275,000. Executives from hedge funds and investment banks were

also prominent as bundlers for Romney, including: Julian Robertson of Tiger Management, who bundled $1 million; Paul Singer of Elliott Management, who also bundled $1 million; John Paulson of Paulson & Co., also a $1 million bundler; Louis Moore Bacon of Moore Capital Management, who bundled $500,000; and Paul Tudor Jones of Tudor Investment Corporation, who bundled $200,000. Given the extent of bundling, and the nefarious purposes it might serve, not to include it among political activities to be disclosed is a stark omission. The amounts are impressive, and bundling itself is a clever way to evade the spirit and rationale underling campaign contribution limits.

Inclusion of Unimportant Items

Beyond ignoring some important issues related to promoting corruption, the CPA criteria include unimportant items not of any real interest to investors, nor of any consequence to possibly advancing corruption. Of the 24 questions on which the CPA bases its ratings are seven related to board oversight of corporate political practices. While process issues are of interest to experts on corporate governance, there is no evidence that they hold much interest for investors or voters. One question even asks for the title of the senior manager with final authority over corporate political activities. The CPA offers no rationale for collecting that information or certainly of ranking corporations based on whether the information is disclosed.

What might be important as an indicator of political accountability for one corporation may not be important for another. That is a generic problem with any checklist. There are some companies that rely more heavily on government subsidies or are more heavily regulated than other companies. In those cases, it might be more important for investors to know the extent of the company's lobbying activities and the extent and targets of its campaign contributions. To assume that the 24 criteria equally apply to all corporations is to engage in the same fallacy as other rating systems do. Critics of ratings by Institutional Shareholder Services (ISS), for instance, maintain that what constitutes good corporate governance practices for one firm may not be appropriate for another firm, whether that be annual elections of all directors or separation of the CEO and board chair positions.

FINDINGS: NEW SCORING AND RANKING

To address the criticisms and weaknesses of the CPA criteria and rankings, this paper adds other criteria and questions to those asked by the CPA in order to address the aspects of potential corruption ignored by the CPA. As with the CPA questions, the additional questions also assign a point value for each criteria met, which usually ranges from two to four points. For purposes of making some basic comparisons in rankings, however, the paper does not subtract the points gained or lost on process criteria.

The new questions this study adds to those asked by the CPA are the following:

1. Does the company have a policy restricting bundling of political contributions by executives? Or:
2. Does the company disclose the money raised through bundling by executives or lobbyists and then contributed to political candidates? 6 Points

3. Does the company restrict and/or disclose contributions to political party conventions? 2 points
4. Does the company restrict or disclose contributions to public policy think tanks or foundations that have been established by or affiliated with political candidates? 2 points
5. Does the company disclose the amount it spends on direct lobbying of Congress or other branches of the federal government? 2 points
6. Does the company disclose the amount of money it spends on direct lobbying of state legislatures and/or foreign governments? 2 points
7. Does the company disclose the amount of money it pays to law firms or political consultants to represent its political interests in the national or state capitols? 2 points
8. Does the company prohibit contributions to super PACs or c-4s? 4 points
9. Does the company disclose amounts spent on super PACs or c-4 Committees? 4 points
10. Does the company prohibit or disclose contributions to state judicial candidates? 2 points
11. Does the company prohibit or disclose contributions to candidates for state attorney general offices? 2 points
12. As to question 11 in the CPA list, it should not simply be a yes/no question but should be allocated 6 points, with full credit given to those companies that restrict political contributions through the PAC, the legally authorized component. Companies that also ban PAC contributions should not be given more credit for political responsibility, but should be penalized.

In order to determine whether and how any of the corporations ranked by the CPA in the first tier or top 100 companies disclose either policies or amounts of money devoted to any of the previously ignored practices, the authors examined the websites of each company to discover the extent of disclosure. That is the same method used by the CPA to investigate the questions it poses. By adding the criteria and questions above, the total potential point total for any corporation rises from 70 to 100 points. Since corporations generally perform worse on the added criteria, most of the percentage scores markedly decline.

Ranking Results

After including the new questions and point values to be realized from each answer, the authors then rescored the top tier companies to ascertain any change in scores and ranking. The revised and arguably improved system generated the following changes in grade distributions:

The grades under the CPA system:

90-100	A	20
80-89	B	32
70-79	C	35
60-69	D	17
0-59	F	0

The grades under the new system:

90-100	A	0
80-89	B	0
70-79	C	20
70-69	D	51
50-59	F	33

As can readily be seen, most corporations did not fare well on the new questions and criteria added, even though those items may relate to a greater danger of corruption. Hence, the grade distribution now skews dramatically downward. There may be several reasons for the lower level of compliance

on those items. First, corporations may be responding to what they see as the most important issues to them or those raised by the media. Second, and even more likely, they may be responding to the issues being pursued by institutional investors through shareholder resolutions. Third, they may be attempting to please or comply with CPA concerns, in order to boost their ranking. Though few companies below the top tier may share any of those concerns, since they show little concern for political accountability, those among the top tier that score well may be paying close attention to the criteria applied by the CPA. That in turn relates to the danger of the CPA ranking system having a virtual monopoly at this point in time and serving as the only standard of concern to corporations. In the corporate governance arena, at least there is competition for the ISS system, especially as provided by Glass Lewis.

Beyond the lower scores produced by the new ranking system examined in this study, there is also some interesting movement between the CPA top tier and second tier produced by the new system. Due to their comparatively better performance on the new criteria proposed by this study, the following companies move from the second tier on the CPA rankings into the top tier, even if their overall scores did not improve: Anadarko Petroleum, Applied Materials, Reynolds American, Boston Scientific, Eli Lilly, and Lockheed Martin. Meanwhile, based on their sub-par performance on the new criteria proposed, the following corporations fell from the first tier into the second tier: Air Products & Chemicals, Costco, Illinois Tool Works, Dow Chemical, eBay, and CVS Caremark.

The CPA study also divides corporations into rank categories or ranges, where other companies with similar scores join those companies. Some corporations moved either upward or downward in rank, but usually within the same tier. There were two companies that moved dramatically upward in rank when applying the new more comprehensive criteria – Applied Materials and Pfizer. Applied Materials moved from rank 17 to rank 12, while Pfizer moved from rank 11 to rank 6. The movement of companies upward and downward, as well as the correction for earlier grade inflation under the CPA criteria, establishes the value of a more refined and accurate grading system.

FUTURE RESEARCH

Based on the results in this paper, the authors will examine the responses and scores of all five tiers of corporations, based on the criteria added by this paper. Future research might also consider how this analysis fits more broadly into three categories of literature: (1) on political corruption and the power of political money (Teachout, 2014; Magleby, 2010; Malbin, 2008; Mutch, 2014; Post, 2014; and Lessig, 2011); (2) on the countervailing value in free speech (Sullivan, 2010; and Sunstein, 1995), and (3) on corporate political strategy (Hadani and Schuler, 2013; Hillman, Keim, & Schuler, 2004; and Schuler and Rehbein, 1997). The tension between controlling corruption and promoting corporate political responsibility on one hand, while protecting freedom of speech and facilitating corporate political strategy on the other hand, will likely remain a conflict worthy of study well into the future.

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Stakeholder Issues & Theory

The Effects of a Social Context on Reputational Judgments of Corporate Social Responsibility

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Abstract: In this article we aim to build on an emergent literature that recognizes a corporate reputation as an aggregation of individual reputational judgments. We apply insights from social influence theory in order to develop a set of testable propositions to explain how various aspects of a social context – the visibility of judgments and the anticipation of discussion – affects individuals' reputational judgments of CSR.

Keywords: corporate reputation; corporate social responsibility; social influence

INTRODUCTION

According to instrumental stakeholder theory, a positive reputation for corporate social responsibility (CSR) in the minds of stakeholders can transform a firm's stakeholder relationships in such a way that provides a favored firm a competitive advantage (Jones, 1995). Despite the key role that stakeholder judgments play within stakeholder theory's account of the business case for CSR, there has been relatively little research into how these judgments are made by individuals; attention has been more commonly focused upon organization-level matters, such as the strategic management of stakeholder relationships and the financial returns on corporate social performance (CSP). The existing literature recognizes that a reputation is formed as some aggregation of individuals' judgments and theorizes about the ways in which firm-level reputations are formed and evolve, and can be most effectively managed, from seminal implicit and explicit assumptions about how individuals judge companies (Barnett et al., 2006; Carter, 2006; Deephouse, 2000; Rindova et al., 2005; Whetten & Mackey, 2002). These assumptions underpin the organization-level implications of this literature for not only the nature of, and limits on, the business case for CSR, but also the strategic management of corporate reputation and stakeholder relationships. To test, potentially strengthen support for and/or guide refinement of this literature, it is useful to investigate key, influential aspects of how individuals judge firms' CSR. By doing so, one approaches a more robust understanding of how firms' reputations form and change, and augments the evidence-base that underlies lessons for the practice of reputation and stakeholder management. This paper contributes to this line of enquiry by developing a set of testable propositions. Echoing the manner in which

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individuals' reputational judgments somehow aggregate into the notion of organization-level reputation, these propositions focus upon a set of drivers of individuals' CSR judgments that highlight the social context within which these judgments are made.

An emergent literature has discussed the antecedents of these individual judgments as well as the cognitive processes that underlie them (e.g. Barnett, 2014; Godfrey, 2005; Highhouse et al., 2009; Lange & Washburn, 2012; Mishina et al., 2012; Oikonomou et al., 2014; Yoon et al., 2006). These discussions highlight a wide variety of factors that can affect individuals' reputational judgments, such as the source of the information (Yoon et al., 2006); whether or not the individual is distracted when making the judgment (Barnett, 2014); and the costs to the individual of searching for information (Bitektine, 2011). By identifying these factors, these contributions broaden the purview of the literature to encompass previously unaccounted for variables that expectably exert significant impacts on the manner in which individuals make and revise reputational judgments and, therefore, also on the formation and evolution of firms' overall reputations. Consistent with this tendency to explore the implications of individual cognition for corporate reputation, this paper explores the ways in which individuals' judgments are affected by various aspects of their social context. Individuals express their judgments of firms to one another (Barnett, 2014; Bitektine, 2011) through face-to-face discussion, social media and online reviews (Bitektine, 2011), or through the media (Deephouse, 2000). Dialogues of this kind present the potential for individuals' reputational judgments to be influenced by others (Bitektine, 2011).

This paper applies insights from social influence theory from social psychology to contribute to our understanding of how and why the social setting for reputation matters for individual judgments. In particular, we focus upon the visibility of individuals' CSR judgments and the anticipation of discussion, and argue that these aspects of the social setting will influence individual judgments of CSR such that the variation in judgments across individuals is reduced. We present testable propositions, which summarize the implications of our arguments and offer opportunities to extend, and make more detailed, accurate and robust, the evidence-base underlying key aspects of instrumental stakeholder theory of CSR – as well as its apparent implications for reputation management. Moreover, an improved understanding of how individuals judge CSR in social settings may generate novel lessons for managerial practice.

REPUTATIONAL JUDGMENTS OF CSR

We highlight the distinction between a firm's capability reputation – "what the organization can do (i.e., its abilities and resources)" – and a firm's character reputation – "what the organization would likely do (i.e., its goals and behavioral intentions)" (Mishina et al., 2012: 460). While a firm's character reputation can encompass a variety of traits, we narrow the scope of this research by focusing upon the elements of character reputation that relate to how socially responsible a firm is judged to be.

Mishina, Block and Mannor (2012) explain a distinction between two kinds of reputation for a firm: capability reputation and character reputation. A firm's capability reputation is formed based on an aggregation of judgments made about "the quality and performance characteristics of a particular firm" (Mishina et al., 2012: 460). These might include, for example, individuals' judgments about a firm's ability to produce quality products or judgments about the firm's financial credibility. A firm's

character reputation, on the other hand, is formed based on an aggregation of judgments made about "a firm's incentive structures and behavioral tendencies based on observations of its prior actions" (Mishina et al., 2012: 460). By observing the firm's previous activities, individuals attribute character traits to firms, which contribute to the firm's character reputation (Love & Kraatz, 2009). In the literature there are a wide range of character traits that have been identified as constituting a firm's character reputation, such as how ruthless (Davies et al., 2004), virtuous (Moore, 2005) or trustworthy (Love & Kraatz, 2009) a firm might be.

As firms' character reputations for CSR are used by individuals as signals of how firms are likely to behave in future situations, imputations of the degree to which particular firms are responsible or trustworthy can be used by individuals to make decisions about which firms to transact with. In this way, a positive character reputation for CSR can generate shareholder wealth (Godfrey, 2005). Instrumental stakeholder theory explains this idea by arguing that a firm can "gain competitive advantage if it is able to develop relationships with its stakeholders based on mutual trust and cooperation" (Jones, 1995: 423). Jones (1995) argues that firms invest in CSR initiatives to achieve trusting relationships with their stakeholders. By investing in CSR initiatives, a firm contributes to a more positive CSP (Barnett, 2007), therefore promoting a perception among stakeholders that the firm is characteristically honest, trustworthy and socially responsible. Stakeholders prefer to enter into transactions with firms that hold these characteristics because they would rather be "in situations that require agents who do not require expensive monitoring, sellers who do not misrepresent the value of their resources, buyers who do not "hold up" sellers of specialized resources, and team members who do not shirk on collective efforts" (Jones, 1995: 421).

A corporate reputation is formed as an aggregation of judgments made by individuals about a firm's characteristics and activities (Barnett et al., 2006; Bromley, 2001; Carter, 2006; Deephouse, 2000; Mishina et al., 2012; Rindova et al., 2005; Whetten & Mackey, 2002; Deephouse & Carter, 2005). In terms of character reputation for CSR in particular, it is formed by the collection of judgments made by individuals about the character of a firm, based on the firm's CSP. Therefore, in order to develop a complete understanding about how a firm's character reputation can form and change, we need to examine how these individual reputational judgments of CSR can form and change. As judgment formation is a psychological process, emergent theories take a cognitive perspective of how reputational judgments are made (e.g. Barnett, 2014; Bitektine, 2011; Godfrey, 2005; Highhouse et al., 2009; Lange & Washburn, 2012; Mishina et al., 2012; Oikonomou et al., 2014; Sjovall & Talk, 2004). Here, it is recognized that individuals make judgments under conditions of bounded rationality (Barnett, 2014; Bitektine, 2011) owing to limited time available to make a judgment, limited cognitive efforts available for, or allocated to, making a judgment, and the amount of information available to base their judgment on (Barnett, 2014; Bitektine, 2011; Lange & Washburn, 2012).

Of the wide array of variables that have been identified in the recent reputation literature as having potential effects on reputational judgments, a subset relate to social factors (e.g. Barnett, 2014; Bitektine, 2011; Highhouse et al., 2009; Sjovall & Talk, 2004). Barnett (2014) recognizes that individuals often hear about a firm's acts of misconduct through another source, and that their reputational judgments of CSR may be influenced by their perception of the communicator. For example, individuals have different preferences towards the media, which can affect the type of information they receive, as well as their interpretation of events (Barnett, 2014). In addition to the

media, Barnett (2014) identifies that individuals can hear about a firm's acts of misconduct from the firm's spokesperson, and the way in which the information conveyed is interpreted will depend on the individual's perception of the spokesperson. This demonstrates how individuals' reputational judgments of CSR can be influenced by the social elements which surround them.

Though not focusing upon reputational judgments of specifically CSR, Bitektine also recognizes a social context for judgments made about firms, explaining that "the social nature of the legitimacy, reputation, and status judgments formation process is manifested in the ability of other actors to influence evaluators' judgments" (2011: 166). The way in which individuals' judgments can be influenced by others, according to Bitektine (2011), is because these kinds of judgments are often observable; individuals frequently see the judgments that others have made, as well as others being able to see the judgments that they themselves have made. This results in more homogenous judgments, although the degree to which this occurs depends on a number of factors, such as how 'strong' or 'dense' an individual's social network is, and how much effort the individual is willing to put in to making their judgment (Bitektine, 2011).

Although Bitektine's (2011) argument is not applied specifically to reputational judgments of CSR, there are reasons to expect that these arguments might be even more significant for reputational judgments of CSR. For example, as various social and environmental issues within the relationship between business and society are morally colored (Mishina et al., 2012), we might expect there to be an even greater incentive for individuals to adjust their judgment when judgments are observable. This is because when making a moral judgment there is more at stake if an individual expresses a judgment that is deemed to be unacceptable by others, i.e. for such judgments, individuals are likely to take greater care to avoid potentially ensuing social sanctions. This increases the pressures of social influences, motivating individuals to express a judgment in accordance with the norm (Pagliaro et al., 2011). For these reasons, we would expect the presence of the social factors that will be discussed in this paper – observability of judgments and anticipation of discussion – to reduce variation across individuals' reputational judgments of CSR.

CSR JUDGMENTS IN A SOCIAL CONTEXT

Social influence theory has been developed within social psychology to demonstrate and explain the "dramatic psychological phenomena that often occur in direct response to overt social forces" (Cialdini & Goldstein, 2004: 591). Although this theory is essentially a psychological concept, it has been applied within the field of management, particularly in marketing. For example, Duhachek, Zhang and Krishnan (2007), and Schlosser and Shavitt (2002) investigated how the anticipation of interaction with others can alter consumers' attitudes about products; Lamberton, Naylor and Haws (2013) examined the way in which individuals' confidence in their own choices can be affected by observing the choices and the reasoning behind the choices that others have made; and Sridhar and Srinvasan (2012) demonstrate how online product ratings can be affected by the previous online ratings made by other consumers. In a similar way, some of the relevant aspects of social influence theory will be applied here, in order to develop a set of testable propositions about how certain aspects of a social context can affect reputational judgments of CSR, as well as explaining the underlying mediating forces.

There are two distinctive types of social influence that can cause individuals to adjust their judgments: 'informational social influence' and 'normative social influence' (Deutsch & Gerard, 1955). If informational social influence is the cause of a judgment adjustment, the motivation behind the change is "the desire to form an accurate interpretation of reality and behave correctly" (Cialdini & Goldstein, 2004: 606). In other words, in order for individuals to know how best to behave in a given situation, it is beneficial for them to have the best possible understanding of this situation. In cases where individuals are going to make a judgment about a situation based on imperfect information, observable judgments that others have previously made about that situation can provide meaningful information (Festinger, 1954). Therefore, individuals may use the judgments that others have made previously to inform their own judgment. In sum: when, to improve the accuracy of their judgment, individuals adjust their judgment after observing judgments that others have made, the change is the result of informational social influence.

If, in contrast, an individual's judgment is affected by normative social influence, the motivation is "the goal of obtaining social approval from others" (Cialdini & Goldstein, 2004: 606). This kind of social influence is driven by the desire to affiliate (Cialdini & Goldstein, 2004) and causes individuals to express a judgment that is in accordance with the predominant view held by others (Lamberton et al., 2013). If we apply this concept to judgment formation, we can say that normative social influence occurs when individuals alter the judgment that they make to be in line with social norms, because they have a desire to be included in society and liked by others, e.g. peer pressure among teenagers.

Visibility of Prior Judgments of Others

There are a wide variety of avenues through which individuals are able to express their reputational judgments of CSR, e.g. through the media (Barnett, 2014); through their actions, such as who they choose to buy their products from or who they choose to work for; through the use of online ratings; or through simply discussing their thoughts and opinions with others (Bitektine, 2011). Because of the ways in which individuals can express their reputational judgments of CSR, it means that often the prior judgments that others have made are observable. This presents the opportunity for individuals to gain useful information from the judgments that others have expressed, in order to better inform their own judgment.

Individuals have a desire to form an accurate representation of the world in which they live, in order to respond to their surroundings in a way which is most beneficial to them (Cialdini & Goldstein, 2004). In situations of uncertainty, the opinions of others can be seen as useful pieces of information for individuals who are trying to form an accurate judgment (Festinger, 1954). Individuals are motivated to try and form accurate reputational judgments of CSR in order to gain an accurate perception of a firm's character. By gaining an accurate perception of a firm's character, individuals are better informed to enter into transactions with more responsible and reliable firms (Jones, 1995). In other words, in order to enter into trusting relationships with firms, it is helpful if individuals can accurately judge firms' character reputations. By using the equivalent, prior reputational judgments of CSR that others have made, individuals are able to achieve a more informed perception of firms' character reputations.

Individuals have a limited cognitive capacity, which they must use to search and process a lot of information in their day-to-day life (Barnett, 2014). Therefore, they must be tactical in where they choose to allocate their resources. If there are decisions that must be made that would require a huge amount of cognitive capacity, or if it is a decision that might not be particularly important to this individual, then they might be inclined to adopt a previous judgment that someone else has already made (Bitektine, 2011). This occurs because "people are not accustomed to thinking hard, and are often content to trust a plausible judgment that quickly comes to mind" (Kahneman, 2003: 1450). Less cognitive effort is used by adopting someone else's judgment, compared to forming a new one, so "when the costs of information search and processing are high, it can be easier to 'borrow' judgments from someone else than to make one's own" (Bitektine, 2011: 166). This provides an incentive for stakeholders to form a judgment that is informed by, and correspondingly similar to, the prior judgments of others that they observe.

Proposition 1: When the prior CSR judgments of others are observable there will be less variation across individuals' CSR judgments compared to if the prior CSR judgments of others are unknown.

Visibility of Own Reputational Judgments of CSR

In the same way that individuals can learn of the reputational judgments of CSR that others have previously made, individuals own judgments are often made visible to others through avenues such as the media (Barnett, 2014); online reviews; and discussion (Bitektine, 2011). If an individual expresses their judgment in one of these ways, they make their judgment visible to others. This presents the opportunity for others to form an opinion about the individual, based on the judgment that the individual has expressed (Bitektine, 2011). Reputational judgments of CSR are distinct from other types of judgments that can be made about firms because they include a moral element, as they involve imputations of a firm's values (Mishina et al., 2012). Therefore, when expressing a judgment about the character reputation of a firm, based on that firm's CSR activities, an individual may believe themselves, and be regarded by others, to be revealing something of their own moral stance on issues. For example, if an individual expresses that they judge a firm who uses child labor to be responsible, this could be commonly understood as a potentially reliable signal that the individual believes child labor is morally permissible. Expressing judgments in a social context presents the opportunity for an individual to be judged by others and perhaps for social sanctions to be subsequently imposed, depending on the strength of disapproval a judgment induces (Bitektine, 2011).

Others can form an opinion about an individual's character based on the moral judgments that an individual has made (Haidt, 2001), and if the individual expresses a judgment that deviates from what is socially expected, then that individual risks being subjected to social sanctions (Bitektine, 2011). Because of this, an individual is likely to consider how they will be portrayed to others as a result of the reputational judgments of CSR that they express, and is likely to want to be seen by others in a positive way. Therefore, driven by "the motivation to affiliate" (Cialdini & Goldstein, 2004: 610), individuals are motivated to express a judgment which is in accordance with the norm. This is particularly relevant for judgments with a moral element, such as reputational judgments of CSR, as it has been found that individuals are less likely to want to interact with others if they know that their moral views are incongruent with their own (Haidt et al., 2003; Skitka et al., 2005).

Proposition 2: When individuals anticipate that their own judgments will be public there will be less variation across individuals' judgments compared to if their own judgments are private.

As a judgment adjustment resulting from normative influence is motivated by the achievement or maintenance of acceptance from others, these pressures arise most intensely for individuals making public, rather than private, judgments (Wood, 2000). After all, if an individual's judgment is private, others cannot observe – and potentially disapprove of – the judgment made. However, when an individuals' judgment is observable by others, others can judge the individual based on their judgment. Therefore, normative social influence is expected to result in the strongest effect on judgments for individuals making public judgments.

Proposition 3: When the judgments of others are observable, normative social influence will be greater when one's own judgment is public, compared to when one's own judgment is private.

For morally-colored judgments, the holding of diverse views within the same group can be problematic (Pagliaro et al., 2011). Therefore, in situations where others' prior CSR judgments are observable, individuals are incentivized to imitate the moral views apparently exhibited by those others, and express a judgment that is in line with the norm that arises in their social context (Pagliaro et al., 2011). If individuals cannot observe the prior judgments that others have made, they have to make assumptions about what the normal view is, in order to express a judgment that is in line with this. However, if individuals can observe the prior judgments that others have made, then they will be better informed to identify – and potentially conform to – the norm that emerges.

Proposition 4: When one's own judgment is public, normative social influence will be greater when the prior judgments of others are observable, compared to when they are not observable.

Anticipated Discussion

One way in which individuals commonly convey their reputational judgments of CSR to one another is through discussion (Bitektine, 2011). Discussion implies the public expression of one's own judgment, as well as hearing the judgments of others. As such, discussion reflects both of the two previously discussed aspects of social context: the visibility of judgments of others and the visibility of own judgments. However, discussion is a form of social interaction that inflicts distinctively high levels of social pressure onto individuals (Matz & Wood, 2005). In situations where individuals are required to discuss their judgments there are higher levels of accountability, which means there is more "pressure to justify one's views to others" (Tetlock & Boettger, 1989: 388). Therefore, when individuals anticipate discussion, they will expect to experience greater levels of social pressure compared to if their judgments are observable without discussion (Schlosser & Shavitt, 1999; 2002).

Because individuals are aware they will be held accountable for their judgments in situations where they have to discuss them, there is a tendency for foreseen disagreement to give rise to anxiety. To avoid uncomfortably high levels of scrutiny and potential conflict, individuals face an incentive to express judgments that are socially acceptable (Pennington & Schlenker, 1999). In situations where there is expected to be disagreement within the group, greater levels of discomfort are experienced, which heightens pressures for individuals to agree with the consensus (Matz & Wood, 2005). In

order to reduce these feelings of discomfort, individuals can adjust their position prior to its discussion (Cialdini et al., 1973). This incentivizes individuals to express judgments in accordance with the norm, "that they believe will be acceptable to the audiences to whom they are accountable" (Pennington & Schlenker, 1999: 1068).

Proposition 5: When there is the anticipation of discussion, there will be less variation across individuals' judgments compared to if there is no anticipation of discussion.

DISCUSSION

We apply social influence theory to develop an understanding of how certain aspects of a social context can affect individuals' reputational judgments of CSR. From this, we develop a set of testable propositions to explain how these aspects of a social context – the visibility of judgments and the anticipation of discussion – would expectably affect individuals' reputational judgments of CSR. While our focus is upon the judgments of individuals, much of the previous literature on corporate reputation has directed attention towards the organization-level notion of a firm's reputation. However, because a reputation is formed as the aggregation of individual reputational judgments (Barnett et al., 2006; Bromley, 2001; Carter, 2006; Deephose, 2000; Mishina et al., 2012; Rindova et al., 2005; Whetten & Mackey, 2002), the detailed inspection of individual judgments helps to build up a more complete understanding of a corporate reputation. As a firm's reputation is directly dependent on these individual reputational judgments, these drivers can have a significant impact on not only the individual reputational judgments of a firm, but also a firm's overall, organization-level reputation.

As mentioned previously, a vast array of factors can influence individuals' reputational judgments – to include factors internal to the individual, such as their mood or need for cognition (Barnett, 2014) and external to the individual, such as the credibility of the firms' spokesperson (Barnett, 2014). Recent literature has highlighted numerous such factors and begun to map the formation process for these individual reputational judgments (e.g. Barnett, 2014; Bitektine, 2011; Godfrey, 2005; Highhouse et al., 2009; Lange & Washburn, 2012; Mishina et al., 2012; Oikonomou et al., 2014; Sjovall & Talk, 2004). Amongst the many factors identified is the social context in which judgments are made (Bitektine, 2011). Here, we apply this line of enquiry specifically to reputational judgments of CSR, and highlight the particular relevance of this factor for these types of judgments. A distinguishing feature of reputational judgments of CSR, compared with other judgments that are made about firms, is that reputational judgments of CSR are morally colored (Mishina et al., 2012). This increases the incentive for individuals to adjust their judgments in response to social pressures (Pagliaro et al., 2011), and makes the social context in which judgments are often made particularly relevant for reputational judgments of CSR.

The propositions presented in this paper are testable using experimental methods, and offer an opportunity for an extension of the evidence-base underlying our understanding of the ways in which corporate reputations are formed and evolve. As we argue above, this provides the potential for not only novel insights into underlying processes but also distinctive lessons for the practice of reputation management. By acquiring a more detailed understanding of the ways in which the reputational judgments of individuals are influenced and informed by social interactions, we can

better predict how reputations will tend to be formulated and evolve within particular types of social arenas.

While our arguments are in principle applicable to social interactions face-to-face or online, we will discuss the meaning and implications of our arguments for the evolution of corporate reputations among online communities. Online communities can provide the basis for social groups to arise, in which individuals may have the opportunity to influence or be influenced by one another (Sridhar & Srinivasan, 2012). Previous empirical research has shown that product sales (Moe & Trusov, 2011) and individuals' online product ratings (Sridhar & Srinivasan, 2012) can be influenced by the online product ratings that others have made previously. Even though online communication implies social interactions that are virtual, and groups may be geographically disparate, such contexts provide for all the three aspects of social interaction upon which we focus: the observability of others' judgments; the observability of one's own judgments; and the anticipation of discussion (albeit virtually). The rise of the internet has enabled individuals to publicly state and disseminate their reputational judgments of CSR to a worldwide audience (Coombs, 1998). Within this, many individuals promote chosen media reports across social media, therefore potentially increasing the size of the audience for these reports while at the same time publicly highlighting their own stance on the issue. Of course, far from a one-way communication, a plethora of online forums provide opportunities for conversations wherein multiple individuals trade comments across a self-selected group (Bickart & Schindler, 2001), the often transitory membership of which often emerges from common interests in a particular topic. If shared among such online communities, individuals' reputational judgments of CSR are materially observable to others and can lead one to expect that, once stated, discussions with others may follow.

The ability of a vast number of individuals to express their reputational judgments of CSR to one another through these online communities implies a considerable potential for informational social influence. The availability to observe online (most notably via Twitter, including the use of trending topics and hashtags) the content and tone of a vast number of others' judgments implies a means to observe any consensus that emerges among peers. Moreover, if one uses online resources to identify, and observe the judgments of, experts in the relevant field (owing to their superior access to information, distinctively strong analytical abilities or moral authority), the informational influence of these others' judgments would be expected to be particularly strong (Burnkrant & Cousineau, 1975).

For normative social influence in online communications of such judgments, we require that individuals are sufficiently concerned by their position within some virtual group to be influenced by a desire to conform to established norms within that group (Cialdini & Goldstein, 2004). Therefore, one would expect normative social influence to be particularly strong in those online forums, such as social media, where individuals commonly sustain interactions across a formal or informal virtual groups of individuals. The longevity of such groups promotes the emergence of established norms of values or conduct, which can then be observed and brought to bear on individuals' behaviour. Furthermore, such longevity promotes among individuals a regard for their position within that group now and in the future, and an incentive to censure their behaviour to fit in with established norms to thereby avoid social sanctions. It is worth noting that such normative influences are not predicated on a coincident, or expected future, face-to-face social interaction between individuals. A study conducted by Williams, Cheung and Choi (2000) demonstrated that individuals can be

normatively influenced in online communities to conform to the actions of others when faced with the prospect of social exclusion, even with no prospect of ever meeting in person. This underlines that the internet provides a potentially rich social context for the expression of reputational judgments of CSR.

More generally, with rising popular interest levels in various aspects of CSR (Pomering & Dolnicar, 2009) – as scientific knowledge about environmental issues has increased and attention has been drawn to the criticality of both environmental and social problems by both the media and NGOs – it is expectable that CSR has become a more commonly arising topic within social interactions. If so, this generates growing volumes of opportunities for both informational social influence and normative social influence to be exerted on these judgments, and be influential on corporate reputations. Of course, not all people are equally engaged with CSR issues (Maignan, 2001), and it is likely that some individuals are less active within such interactions. While some people have a great interest in CSR, or a particular set of social and/or environmental issues, and are vocal in expressing those opinions, others may be relatively mute on such issues. The identification of, and engagement with social groups that are most active in publicly disseminating and discussing reputational judgments of CSR may enable firms to effectively manage the processes that underlie their reputations. By understanding the ways in which such social contexts influence the formation and evolution of reputational judgments, a firm may be able to target resources on engagement with particular groups that are well-placed to be associated with the social influences we highlight.

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Sustainability &
Sustainable Development

The Status of CSR and Sustainability Reporting at Universities in Europe: a Survey

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Abstract: The results of a survey carried out in 2014 around the status of CSR and sustainability practice and reporting at the European Universities show this to be a recent phenomenon. While 82% of the 73 responding European universities (response rate 11,5%) had adopted CSR and sustainability in their strategy, 70% declared to report on sustainability, half of them after 2010, and with varying level of comprehensiveness and integration. It is the sustainability dimension that overhauled university management to communicate and to report on these issues with 20 years of delay as compared to business. As commonly with innovation, it are not always the most reputed universities that are innovators in sustainability, but less known universities in a competitive strategy of differentiation. Drawing on institutional theory and on the innovation literature, our study allows us to deduce that sustainability reporting at universities has reached its phase of dissemination and institutionalization.

Keywords: sustainability; CSR; reporting; university

INTRODUCTION

Corporate Social Responsibility (CSR) and sustainability have developed as an increasing trend in management during recent decades. CSR is defined by the European Commission as "the responsibility of enterprises for their impacts on society" (COM (2011) 681). CSR includes social, environmental and economic impacts of business on society and on its various stakeholders (Dahlsrud, 2008). While the sustainability concept emerged after CSR and focused on environmental aspects (Brundtland report, 1987), these have been gradually integrated into CSR. So, today both concepts have tended to converge (Montiel, 2008; Fassin et al. 2011). The terms used to refer to a company's social and environmental reporting: 'CSR reports', or 'sustainability reports', are now often used interchangeably (Montiel, 2008).

A recent phenomenon in our modern communication world is the increasing demand for accountability (Tullberg, 2005). Corporations need to be transparent and are required to report, not only financial information, but also to give insights as to what they do in other areas, and especially those areas that impact on people and on the various stakeholders of corporations (Freeman et al. 2010). This evolution for more CSR and more accountability has been actively promoted by different groups: special interest groups, NGOs, activists (Doh and Teegen, 2002). Scandals and tales of corporate irresponsibility have also increased the call for accountability.

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The pressure for reporting on CSR issues has benefitted from the active support of academic scholars in the business and society field. With GRI and other initiatives, guidelines for reporting on CSR issues have been gradually developed and today most large corporation's reports follow a more standard recognized framework (Levy et al. 2010).

But now that most multinationals have implemented CSR reporting, the question can be asked as to whether public institutions, governmental administrations and the non-profit sector that employ high numbers of personnel also should report on CSR and sustainability issues. Within this non-profit sector, universities who have a commitment to science and progress seem to be privileged institutions and open for new ideas. CSR and sustainability have indeed become important themes in the curriculum of many business schools and universities.

But do universities put CSR actions into practice in their own institutions? What is the status of CSR and sustainability at universities? What are the priorities in CSR and sustainability actions at universities? What are drivers of CSR? Do universities publish CSR and sustainability reports? What are the obstacles and constraints universities experience? What are hurdles to report on CSR and sustainability? Are these obstacles against CSR reporting different from those in the business world? Is there any evolutionary approach?

We start with a succinct literature review on CSR and sustainability at universities. Following an explorative study on twenty European universities in four European countries: Belgium, the Netherlands, Spain and the UK, we developed a survey to analyze the vision, the evolution over time, the themes, the drivers and the obstacles of social responsibility and sustainability issues at European universities. We also asked whether the universities had signed the major international charters for sustainable development in higher education, the Copernicus Charter (1994) and the Talloires Declaration (1990) (Lozano et al. 2013; Wright, 2002). The study analyzes what those institutions do, not in the teaching curriculum, but in the practical management of the university. Our object is the university as organization asking: what do universities undertake as CSR and sustainability activities in their operations and do they report on these issues?

LITERATURE REVIEW ON CSR AND CSR REPORTING AT UNIVERSITIES

The rare literature on CSR and sustainability at universities and higher education institutions has primarily focused on the integration of the sustainable and socially responsible issues in the university curricula (Grundey et al. 2007; Ceulemans and De Prins, 2010; Ceulemans et al. 2011). A number of articles describe specific initiatives on sustainability in applied research departments (Ferrer-Balas et al. 2009) and others in business schools (Rusinko, 2010). There is no extensive research as to how universities as organisations do implement sustainability. Fonseca et al. (2010) analyzed sustainability reporting at Canadian universities in the period 2006-2008. Brinkhurst et al. (2011) analyzed best practices at Australian universities.

Occasionally, some case studies have described a specific experience in one university (e.g. Kurland, 2011; Mitchell, 2011; Christensen et al. 2009), or in a specific engineering department (Mulder, 2006), or in some business schools (Moon and Orlitzky, 2011). Some articles have focused on the management challenges to introduce change (Brinkhurst, et al. 2011). More scholarly articles analyze mission statements and websites that universities use in their communication. A recent survey investigated the CSR discourse in the websites of the top 10 world universities (Nejati et al. 2011). Another survey made a comparative analysis of 12 (of the only 15) universities that were reporting in 2010 on their sustainability following the GRI

framework (Lozano, 2011). Since then, 60 universities have published a report based on the GRI guidelines.

Some more conceptual papers have developed more advanced ideas of what a sustainable university should look like (Velazquez et al. 2006; Van Weenen 2000). In their recent book 'The Sustainable University', Martin and Samels (2012) bring best practices in the United States and action plans for the university's management to achieve major sustainability goals on their campuses. They argue that sustainable leadership in higher education has become an increasingly complex enterprise. Mainardes et al. (2010) realized a stakeholders' map of the university which encompassed a complex network of actors (Oliva and Jair, 2009).

A few scholars have analyzed the motivational factors of universities to launch sustainability actions (Lozano et al; 2006). Others have investigated the pitfalls for reporting (Velazquez et al., 2005; Rusinko, 2010; Walton and Galea, 2005). Rusinko (2010) identifies lack of awareness, interest and involvement and the organizational structure, as the most important hurdles; followed by lack of funding, support from top university administrators, lack of time, training and information and resistance to change. Martin et al. (2012: 6) pointed to the interdisciplinary aspect of sustainability where "the structure of university institutions (and others) does not often reflect that kind of cross-boundary thinking". Walton and Galea (2005) add the issue of the cynicism of university against business practices.

The few recent studies on the status of sustainability reporting in universities confirm this remains in its early stages, in terms of the numbers of institutions reporting and the level of reporting (Wright, 2002; Lozano, 2011).

Most of these studies on sustainability have been published in new specialized journals on higher education or in technology such as: the *International Journal of Sustainability in Higher Education,* and the *Journal of Cleaner Production*. Curiously, the more classic academic journals in CSR and ethics that have published extensively on CSR and CSR reporting in business have not dealt with CSR and Sustainability reporting in the university setting.

THE MISSION OF A UNIVERSITY AND ITS STAKEHOLDERS

Universities are service organizations with a social mission. Universities have been assigned a triple role of education, research and service to the community (Bok, 1982). They contribute to the development of their region. But the university can also be looked at as an organization, generally a large organization, internally organized as a bureaucracy (Mintzberg, 1979). The stakeholders of the university encompass an important number of actors in a complex network (Oliva and Jair, 2009; Mainardes et al, 2010). Its customers are the students who, in the main are young people with potential; its employees comprise bright intellectuals and administrative staff. Besides these primary stakeholders there is the professional world, the business who will hire the graduates, the government who finances education in most European countries and the community, the city and the region where the university often represent a major employer.
The question of the social responsibility of the university is an obvious one. Most public administration and non-profit organizations fulfil a social need, so that the social responsibility of these organizations has never been questioned. Neither is there a need for reporting on these issues, unlike business corporations who have a priority economic mission and who endure pressures for accountability. Universities have seldom been under press attack for huge scandals and incidents such as corruption, environmental accidents or human right issues, and do not feel

the need to communicate as corporations, in reaction or in a proactive way. Universities have a social mission of education, so universities assume they are, by definition, socially responsible institutions.

Universities prepare the next generation of leaders and see their unique and critical role in society with some scholars advocating that the responsibility of universities is to educate the next generation towards a sustainable future (Filho, 2000; Lee and Matthews, 2013). The mission of the university is to make socially responsible citizens. The role of university professors is to inspire students. With the gradual integration of sustainability issues in the CSR debate, the question merits better attention.

METHODOLOGY

An explorative in-depth analysis[i] of CSR and sustainability at twenty Universities[ii] in four different countries: Belgium, the Netherlands, Spain and the UK (unpublished), studied the content of the universities' websites. This analysis was followed by extended feedback, and discussions with colleagues from other universities. Participant observation in the discussion groups on the sustainability project at our own university and the elaboration of the draft of the first sustainability report allowed more depth and nuances in the analysis of issues and problems. The survey was addressed to 638 university members of the European University Association. It was introduced by an accompanying letter in English, French, Spanish or Dutch language, mentioning the support of the Association of the University Leaders for a Sustainable Future (USLF), the secretariat for signatories of the Talloires Declaration. After 4 repeat mails, 63 universities responded from 18 European countries including: 10 from UK, 8 from France, 6 from Sweden, 5 from Switzerland, 4 from Belgium and Finland, 3 from Germany, Italy and the Netherlands. A follow-up mail by the chairman of the Italian Rectors Conference gave 10 additional responses. The total rate of response reached 11,4%.

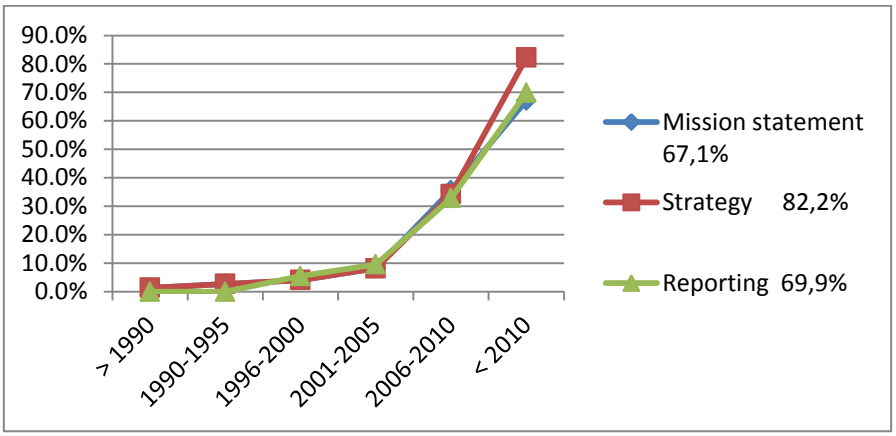
The 73 universities that responded represent a good mix between regions in Europe, size, ranking and age. The geographical repartition gives 22 universities from the North of Europe (including the 10 British universities), 24 from Western Europe and 25 from the South. 17 universities have less than 13.000 students, 17 between 13.000 and 20.000; 23 between 20.000 and 30.000, and 16 have more than 30.000 students. 10 of the responding universities belong to the top 150 ranking, 14 to the group 150-300, 16 to the group 300-500 and 33 did not belong to the top 500. From the 73 universities, 17 are older than 200 years, 16 were founded in the 19th century, 15 between 1900 and 1970 and 25 young universities founded after 1970.

CSR AND SUSTAINABILITY IN THE UNIVERSITIES' STRATEGY AND MISSION

Are CSR and sustainability adopted in the university strategy; are they adopted in the university mission statement? The results of the survey show positive results: In 2014, 82,2% of the responding universities had adopted CSR and sustainability in their strategy, while 67,1% had adopted it formally in their mission statement. 69,9% of the responding universities declared to report on CSR and sustainability. And 87% had a specific department for CSR and sustainability, 52% as an integrated department, in 35% spread out over several departments. However, the positive results could cover a strong survey bias explained by the relative low response rate. It is probable that more universities that had not advanced in implementing sustainability policies did not respond to the survey. Another limitation of our survey was that the questionnaire had been

responded to by different kinds of respondents. In some cases, by the vice-chancellor's advisors, the health and safety department head, sometimes the CSR department or the administrative staff and, in some cases, the rector or vice-chancellor himself. Given the evolving nature of the subject, we tried to gather more information on the evolution of the sustainability practices at universities. Therefore, we also asked in what period (grouped in half decades) the universities adopted the strategy, mission statement or started reporting. The results in figure 1 clearly show this to be a recent phenomenon. Of the 60 universities that had, at the time of the survey, adopted CSR and sustainability in their strategy, only 25 had done this prior to 2010, just 6 by 2005 and only 2 before 1995. Similarly, only 26 of the universities had incorporated CSR and sustainability in their mission statements by 2010, but by the time of the survey this had risen to 49 (or 67% of the sample).

Figure 1: Adoption of Sustainability and CSR in Universities over Time



Curiously, not all universities are aware of the official charters around sustainability. Only 55% knew about the Copernicus charter and only 35% have signed the charter. Even more surprising, some respondents declared not to have signed the charter, whereas it had been, of course, many years ago, by their predecessors. The Talloires Declaration seems even lesser known; only 35% of the respondents have heard of this document, whereas only 8,5% of the responding universities had signed the Declaration.

INITIATIVES ON SOCIAL, ENVIRONMENTAL AND ECONOMIC ISSUES

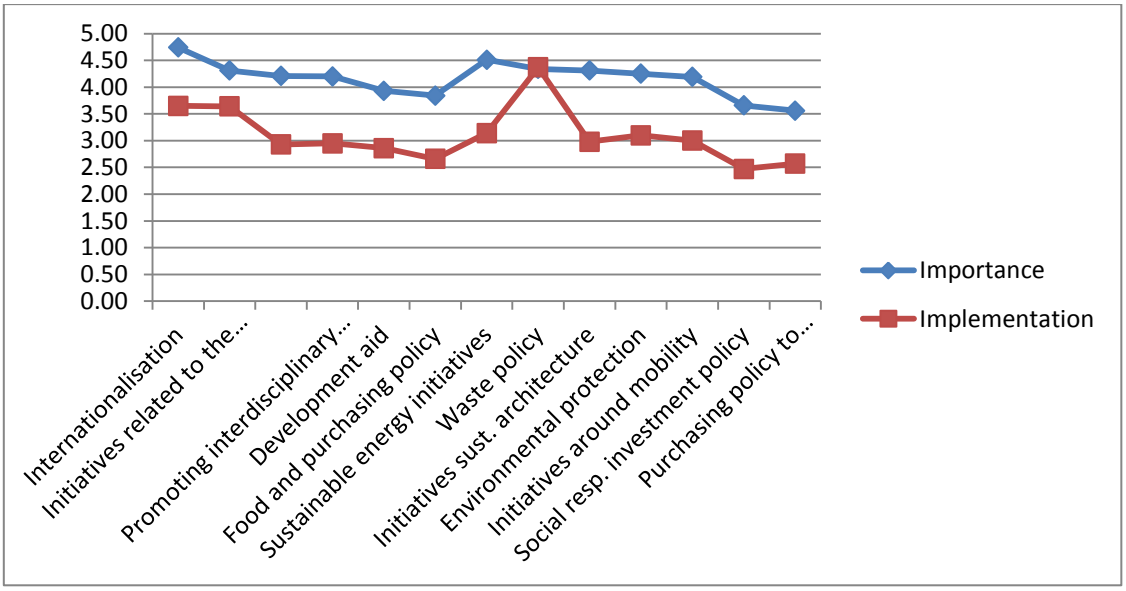
Conforming to the triple bottom-line, we informed about the importance university management attach to a selected number of social, environmental and economic issues, selected from the GRI guidelines. We also informed about the degree of implementation of the various initiatives.
For reasons of conciseness of the questionnaire we selected twelve themes of social (6), environmental (4) and economic issues (2). The selection of themes was chosen on the basis of our explorative study of CSR in universities in the four countries, combined with the classic sustainability themes in GRI guidelines, points of action of the Copernicus Charter and Talloires Declaration.

This lead to the choice of the social themes of development aid, internationalisation, initiatives related to the gender gap, stimulating educational- and research programs related to sustainable development, promoting interdisciplinary networks of environmental experts with the aim of collaborating on common environmental projects in both research and education; and food and

purchasing policy. The environmental themes encompass initiatives around sustainable architecture, sustainable energy initiatives, initiatives around mobility, waste policy and environmental protection. Finally, we retained two economic themes: the purchasing policy to encourage regional economy and the social responsible investment policy. Figure 2 shows the importance and the implementation of the 12 themes.

Universities seem to value all themes highly, especially internationalization and the environmental themes. Economic themes as regional purchasing policy and social responsible investment policies are evaluated somewhat less important, just as food policy. There is a clear gap between the importance attributed to the themes and their practical implementation within the institution. This gap is higher than one unit except for waste policy and the initiatives around gender gap, where universities find they have made substantial progress. Most institutions seems also satisfied about their internationalization initiatives.

Figure 2: Importance and Implementation of Social, Environmental & Economic Policies



CSR REPORTING AT EUROPEAN UNIVERSITIES

The survey revealed that 69,9% of the European Universities report on CSR and sustainability (see figure 1). Despite our reservations concerning the bias in the survey, we deduce that CSR reporting activity is a recent phenomenon. Of the 51 universities that declare, at the time of the survey, to report on CSR and sustainability, only 24 had done this prior to 2010, just 7 by 2005, only 4 before 2000 and none before 1995. But unfortunately, this figure derived from a yes or no answer, does not provide a clear indication on the level of comprehensiveness and integration of this report.

Reporting on CSR and sustainability covers three basic parts - economic, social and environmental subsets. 72,7% of the universities had adopted the economic part in their strategy, 90,9% the environmental part and 63,6% the social part. 45,5% of the universities had the working conditions integrated in their strategy, 77,3% included a human rights commitment and 34,8% product responsibility.

By 2012, all five Dutch universities had their yearly report on the website, only one in Belgium, one British university and three of the five Spanish universities. The transparency in funds flow was a common feature of all universities' annual reports. Reporting on social measures was varied, from a best in class of a technical university, who had a specific social report. Reporting on environmental issues had received increasing attention, but displayed no uniformity. Some universities gave explanations on their CSR strategy, other displayed figures. In many cases, the focus was on programs and objectives and not enough on the specific efficiency of the programs. Some reports were more extensive and more transparent than others. Some universities included a special energy and environmental report in an addendum, while others gave brief examples of their green project and best practices. The first general reports used the ISO 14001 as a certification guideline. Later a few had started with GRI reporting guidelines. Some universities started with certification for specific departments, or more likely, it was some departments that took the initiative. Some universities report on special actions, and on bottom up approach in cooperation with students and personnel.

Not much is reported on philanthropy. Some universities sponsored the local cultural activities or developed a partnership with the local music festival. On many occasions, universities provide their infrastructure or auditoria to the organizers of cultural events.
Our survey and explorative study confirm Lozano's comparative analysis (Lozano, 2011). CSR reporting at the university is in infantile stage. If universities had made some reports on specific issues, not many universities and business schools reported extensively and systematically in specific dedicated CSR and sustainability reports.

MOTIVATION AND HURDLES

Our survey proposed to score nine reasons to engage in sustainability activities, selected on the basis of the explorative study and the literature review. All motivational factors were perceived as important. The responsibility towards sustainability and CSR comes as the first argument with M=4.53 followed by the reputational factor, the governmental obligation and a moral obligation. Savings are regarded as important (M=3.98), just as quality control; financing of research, competition of other universities and ranking (M=3.34) are considered as somewhat less important. This view confirms a mixed motivation with a certain predominance of genuine and compliance factors over an instrumental motivation. However, just as in the corporations and as for individual purposes (Tullberg, 2005), often economic reasons are the best incentives to implement sustainability measures: the generalization of energy costs savings is the best illustration of the mixed motivation. Good practices of colleagues in other departments or competitors in other universities can also be a motivator. But, just as in the business world, external pressure remains a strong motivator.

Universities are subject to institutional pressures. Universities tend to adapt to comply when new criteria are divulgated or new standards imposed by the government. The gradual inclusion of CSR and sustainability criteria in accreditation procedures and in university rankings forces university administrators and management to pay more attention to this theme. In some engineering applied research departments focusing on new technologies, the interest for sustainability came more naturally as a logic result of innovation and opportunity recognition. Corporations often start with product and process innovation in CSR issues and, then later, integrate this CSR into their strategy. We see a similar pattern in universities. The focus of the first sustainability initiatives in universities have been taken in courses, the products of universities, and subsequently in some research centres. After this, local initiatives from several

staff departments have launched environmental, energy saving and other sustainability actions across the whole university. We see a mix of bottom-up approaches and top-down initiatives.

Besides the reasons to engage in sustainability, our survey proposed to score eight obstacles to sustainability; again selected on the basis of the explorative study and the literature review. This question resulted in a more nuanced view. The degree of hurdle is not considered as extreme by our survey respondents. The average figures between 2.87 and 3.72 for a neutral of M=3. Unlike in the explorative study, cost was acknowledged as the most important hurdle for the implementation of CSR and sustainability initiatives. This is followed by: a lack of incentives; the administrative burden; and, a lack of motivation. Confusion around the sustainability topic; lack of awareness; and, lack of vision and leadership are considered as neutral. Only the view of sustainability being seen as too radical was not viewed (M=2.32) as a hurdle.
With its CSR and sustainability activities, university management encounters the same problem of change management as do businesses. Some university administrators mentioned the cost of CSR and CSR reporting as a reason for not drawing sustainability reports. It is a problem of motivating all employees and all stakeholders within the organization. The resistance to change and the lack of incentives were clearly the same pitfalls for universities as they were for corporations. This confirms previous observation from scholars as Lozano (2006) and Wright (2010). As in all organizations, and even more in bureaucratic organizations, management is confronted to resistance to change, problems of motivation and incentives. While formal inclusion of sustainability elements is enforced by accreditation criteria, academics have a rather reluctant attitude towards internal or external imposition of integration of sustainable development (Ceulemans et al. 2011; Lozano, 2006).

REGIONAL DIFFERENCES

The results of the survey also investigate whether there are important differences along the region (North, South or Western-Europe) or countries, along the size of the university, its ranking, its year of foundation, Whether they consider themselves as leader or follower in sustainability.

A few indicative results can be observed. Especially large, top-ranked and young universities have signed the Copernicus charter more than their colleagues. Not many universities in Northern-Europe have signed this charter. Southern Universities have more actions in development aid, Northern tend to have less interest in waste policies. Western Universities have some delay in sustainable use of energy resources. Universities in the Netherlands, Denmark and Estonia have more attention to initiatives around mobility. Larger universities have more attention for sustainable architecture and development aid. The gender gap is an important issue for large universities. The top150 ranked universities pay more attention for their food and buyers policy. Environmental protection is a priority in the 150-300 sub-top and mobility in the 300-500 top. Very old universities are more advanced in internationalisation and development aid programs. Old and very old universities have arrears with energy, very young universities with environmental protection. In general, old universities are more advanced in the implementation of the various CSR and sustainability programs.

COMPARISON WITH CSR AND SUSTAINABILITY REPORTING IN BUSINESS

Our study also wanted to investigate whether CSR and sustainability issues are different for universities compared with corporations and, by extension, whether CSR and sustainability

problems are different in the non-profit sector compared with the private business world. Discussions on CSR with university administrators and professors immediately point to the specificity of the university as organisation, not comparable to any corporation.

In fact, our analysis reveals that those differences are not so big. In the business and society debate, universities are confronted by the same problems and challenges as corporations, mainly: a fragmented approach; isolated initiatives; and a number of best practices. The difficulties of implementation and pitfalls of CSR are the same for all organizations: problems of motivation, awareness, cost and sensibilising. The same debates exist between voluntary action or imposed regulation (Lepoutre, 2005). External pressures through norms, benchmarks and rankings have a similar influence on the management of universities with mimetic isomorphism as a natural consequence. The best practices also illustrate that the success stories depend upon the individual product champions and upon the support of top management (Lozano, 2006). Finally, there is the debate on the instrumental use of CSR and sustainability between it being adopted as a genuine approach or just a lip service and/or an opportunistic public relations practices. However, even if CSR reporting at university is a recent phenomenon,- just as in business - there is clearly more CSR activity than the reports show. The existence of a CSR report does not guarantee superior CSR but, as in business, there is progress. CSR and sustainability initiatives are an example of organizational learning where progress is obtained through the 'best in class' practices and gradual incremental ameliorations; even if there is a long way to go.

Just as with corporations, some universities play a pioneering role, whilst others are followers. And some countries play a leading role. Universities from Northern European countries took the first initiatives in sustainability and CSR, and in reporting. Specific actions around sustainability generally started very fragmented, from the initiative of some product champion in one department; often in engineering laboratories, with research programs on sustainability issues and also some elective courses. As commonly with innovation, it are not always the most reputed universities that are innovators in sustainability. Some less known universities are positioning themselves as leaders in sustainability and try to differentiate themselves in a competitive strategy (Lozano, 2006). After the early adopters, the diffusion process operates in groups that all adopt the innovation over a limited period in time (Rogers, 2003). Mimetic behaviour and isomorphism lead to the institutionalisation of the reporting practices (DiMaggio and Powell, 1983; Campbell, 2006).

CONCLUSION

Where universities may differ slightly from business is in the emphasis on sustainability. While the concept of CSR may appear evident for universities, the environmental issues and the concept of sustainability include more motivation for implementation in concrete actions and reporting, or environmental measures may be easier to handle than social matters and easier to measure (Lozano, 2011). This may be one explanation for the delay between the application of CSR and sustainability in business and at universities given that the business world adopted the CSR reporting in the 1990s, whereas universities lag 20 years behind.

It is the sustainability dimension that overhauled university management to implement CSR and sustainability actions. Other than the social role of the university, which is obvious, the inclusion of sustainability in the CSR debate has convinced university management to communicate and to report on these issues. Drawing on institutional theory (DiMaggio and Powell, 1983; Campbell, 2007) and on the innovation diffusion literature (Abrahamson and Rosenkopf, 1993; Rogers,

1995), our survey allows us to deduce that sustainability reporting at universities has reached a bandwagon phase in its dissemination.

Our conclusion of similarity in the implementation of CSR and sustainability in universities and corporations has practical implications. The proposal for a ISO norm for CSR has rightly enlarged the reach of CSR to organizations with its notion of organizational social responsibility which is not restricted to sole businesses and it is time for non-profit and public institutions to enact some introspective analysis.

Curiously and paradoxically, while academic researchers in business and society have been the strongest advocates of CSR and sustainability and CSR reporting, they have not been able to generalise these principles in their own organizations and their reporting, especially. Perhaps it is a sad conclusion that business and society academics have little impact in their own university or with their colleagues of other departments and with university administrators. How can they remain credible for the business world, if they do not succeed in achieving progress within their own respected institutions? Alternatively, perhaps CSR and sustainability reporting should not be so important as advocated by the same academics?

We argue for the importance of reporting as a mean for sensibilising. As in the business world, universities, as large organizations, need to implement the sustainability practices they promote in their own organization. While the inherent social mission of the university may be a justification not to report on CSR, the gradual inclusion of sustainability issues in the CSR debate of sustainability gives it no excuse to escape. The sustainable university of the future needs more than courses on sustainability and CSR programs in the student curriculum. Universities need to apply these sustainability practices in their own operations. In the implementation of innovative domains of sustainability, universities should be an example for other non-profit and governmental organizations. In these fields, universities should be at the forefront for the role of governments in the business and society debate.

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[i] Rather than individual case studies, or a second source content analysis of websites of the Nejati study (2011), the explorative study of 20 major universities in four European countries investigated the vision of the university concerning social responsibility. The choice for the five universities was slightly different for the four countries studied. In Belgium, five Flemish Dutch speaking universities were analyzed. In the Netherlands five (out of 12) universities with the best Shanghai and Times rankings were studied. For the larger countries, UK and Spain, we choose two universities of the top five, one sub-top university; one is the middle of the Shanghai ranking, and one known for its special interest or approach in sustainability, as mentioned in specialized academic publications.

Departing from second sources analyses of information available on websites, and complemented with a follow-up to gather specific feedback from the institutions, the study analyzed how universities incorporate CSR principles in their mission statements and vision. It investigated what departments or working groups are active on specific CSR issues: on sustainable development; on ethical issues, such as diversity, gender and equality issues. It identifies best practices and guidelines. It studies the adherence to the Copernicus charter, and actions for the three constituencies of the Triple P - People, Planet and Profit – reflecting respectively the social, environmental and economic considerations (Elkington, 2006). Further, we analyzed working groups and special taskforces at the university around sustainability or CSR, scientific centres in this field, the policy around diversity and gender regarding equality. Actions towards the environment, towards cooperation development, specific actions in favour of personnel or students, and other initiatives were identified. It further analyzed what specific reporting occurs around CSR and sustainability.

[ii] Belgium: Universiteit Antwerpen, Vrije Universiteit Brussel, Universiteit Gent, Katholieke Universiteit Leuven, Universiteit Hasselt
Netherlands: Universiteit Amsterdam, Technische Universiteit Delft, Universiteit Leiden, Erasmus Universiteit Rotterdam, Universiteit Utrecht.
United Kingdom: University of Cambridge, Oxford, Edinburgh, Leeds, Durham

Spain: Universitat Autonoma de Barcelona, Universidad de Navarra, Universidad de Santiago de Compostella, Universidad Politècnica de valencia, Universitat Politècnica de Catalunya (Barcelona Tech)

Sustainability &
Sustainable Development

Trying and Failing: Understanding Adoption and Enactment Processes of Organizational Sustainability Commitments through Unintended Decoupling

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Abstract: Organizations that do not implement espoused policies in practice face the risk of societal disapproval if the decoupling is exposed in an era of increased transparency and accountability expectations. While policy-practice decoupling remains an observed organizational outcome, organizations are becoming less inclined to deliberately adopt strategies of decoupling. Our first contribution to theory is an extended conceptual model which integrates both original accounts and recent developments in decoupling theory. Secondly we propose that decoupling is more often an unintended outcome of attempts to tightly couple, than a cynical evasive organizational act. Finally we propose three key conditions under which attempts to implement the policy yield decoupled or tightly coupled organizational outcomes, explicitly incorporating the role of individual agency into the decoupling frame.

Keywords: institutional theory; decoupling; strategy; business schools; sustainability

INTRODUCTION

Policy-practice decoupling, which occurs when an organization's espoused policies do not align with actual practices, is described as a rational response to complex institutional demands for change (Meyer & Rowan, 1977). Whilst organizations may have a potentially sound rationale for avoiding change to the organization's day-to-day activities (Zucker, 1987) such as high costs or strategic inconsistency, organizations are nevertheless required to at least appear to conform to the pressures within their institutional environment or face a loss of legitimacy in the eyes of stakeholders. This potential for loss of legitimacy thus drives symbolic adoption of policies, which are not intended to be implemented in practice (Scott, 1995).

Whilst Meyer and Rowan (1977) may have argued that decoupling was a rational strategic response at the time, in a modern context of growing accountability and transparency decoupling is increasingly seen by society as an operational if not moral failure (Bromley & Powell, 2012). With the threat of public exposure, decoupling now carries a potential risk to the very organizational legitimacy that symbolic policy adoption sought to maintain or build. This societal disapproval is particularly notable in the face of normatively-derived institutional pressures, where the organization

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is expected to do the right thing or face accusations of green-washing (Bromley & Powell, 2012). The nature of the risk associated with decoupling has become increasingly loaded such that organizational legitimacy more broadly may be brought into question (Bromley & Powell, 2012).

The likelihood of policy-practice decoupling occurring has been a subject of past research. Earlier studies emphasize CEO and senior management power, interests and commitment as influential in organizations' propensity to decouple (Westphal & Zajac, 2001; Westphal & Zajac, 1998; Weaver et al, 1999). The implication of these prior studies is that the advantages and drawbacks of decoupling are known and understood by individuals at the top of an organization and that decoupling is an intended defensive strategic decision. Thus a key assumption is that institutional forces are experienced at the managerial level only, whose response is expressed through organizational policies and mandated practices. However, scholars now note that the process of policy definition and the translation of policy wording into actionable instructions can in fact require delegation to the technical organizational actors involved in implementing the practice (Bromley et al, 2012). Those individuals inside the organization therefore have a pivotal role to play in the processes of policy enactment; a neglected component of the study of decoupling in the literature to date and one which this paper seeks to address.

This study therefore proposes an extension to the theory of decoupling in two ways. One is to explicitly incorporate internal organizational processes and the role of individual agency in policy implementation and the second is to develop a more comprehensive model of decoupling which recognises decoupling as an unintended outcome of failed attempts to implement a given policy. Organizations are increasingly driven to attempt implementation and avoid societal disapproval of intended decoupling (Bromley & Powell, 2012) despite the ambiguity and complexity that might make the practice inefficient or unfeasible in the context of the organization's day-to-day activities (Zucker, 1987). Meyer & Rowan (1977) discuss a loosely coupled situation where decoupling via partial or superficial implementation attempts is associated with the presence of separation between the symbolic structure and actual activities. Our model builds on this notion of disconnect between the symbolic structure and the technical core, however it includes another distinct option to the dichotomy of tight coupling or decoupling; that organizations can intend to tightly couple, but the eventual outcome is determined by factors beyond those governed by the managerial level leading to an unintended decoupled outcome. As such we recognize such unsuccessful attempts to tightly couple as well as successful policy-practice alignment through internally motivated processes.

A key contribution of this work is therefore to include the role of agency in decoupled policy-practice outcomes. By shedding light on how individual actors in the organization are constrained or enabled by agency within the organization we can begin to understand the "*differing degrees*" (Heugens & Lander, 2009:61) by which organizations respond to the same institutional pressures. By highlighting individual agency and the role of internal actors (Greenwood et al, 2011) and building on recent work that establishes decoupling as a consequence of an emerging rather than predefined strategy (Crilly et al, 2012) we add a missing component to the original literature which provides only for intended decoupling and tight coupling from a readily enacted managerial mandate (DiMaggio & Powell, 1983; Meyer & Rowan, 1977; Scott, 1995).

We investigate decoupling in this contemporary context by applying our revised conceptual model to a business school setting, at a time when these organizations are responding in various ways to the sustainability imperative. Given business schools' importance to society in producing the

knowledge and skills required to address problems of the future, business schools are expected to take action regarding the challenge of sustainability. Prominent authors criticize business schools collectively for their alleged organizational failure to sufficiently engage with sustainability (Wilson & Thomas, 2010) and address their responsibilities to society in general (Pfeffer & Fong, 2004; Starkey & Tempest, 2005; Gioia, 2002). Studies which call for business schools to practice what they preach (Boyle, 2004; Badelt & Sporn, 2011) indicate a fertile and compelling area in which to explore agency and the role of internal organizational actors in determining organizational decoupling.

This paper is organized as follows. First the theoretical foundations of decoupling from institutional theory, empirical research and recent developments are outlined. Existing theory provides the backdrop against which to introduce our revised conceptual model of decoupling which recognises seminal work, recent findings and positions agency as the decisive process within the centre of this framing. Propositions then follow which first establish the types of decoupling expected in a scenario of business schools integrating sustainability and secondly which identify the conditions which influence tightly coupled or decoupled outcomes. Finally a discussion summarises the implications of these developments, notes limitations associated with this work and indicates directions for future research.

THEORECTICAL DEVELOPMENT

Decoupling is a key concept from institutional theory introduced by Meyer & Rowan (1977) and relates to a gap between policy and practice. Practices start from a position of rational technical design, in their creation they are informed by routines and norms that promote technical efficiency. However, over time activities become imbued with value, beyond the requirements of the task itself, acquiring symbolic value (Meyer & Rowan, 1977). The motivation for adopting these evolved activities then is explained by reasons of social legitimacy rather than pure efficiency (Meyer & Rowan, 1977). Decoupling, may then be observable when comparing adopted policies with those activities the firm carry out (Sastry et al, 2002). In its original formulation decoupling is a legitimate response to institutional pressures, however in recent interpretations legitimacy and reputation is at risk if policy-practice decoupling is exposed (Boxenbaum & Jonsson, 2008; Bromley & Powell, 2012).

Studies have found that organizations that are faced with the same institutional forces vary in their response (Boxenbaum & Jonsson, 2008). Despite isomorphism driving similarity in symbolic adoption strategies (DiMaggio & Powell, 1983) organizations may or may not decouple and may choose to pursue different strategies from one another and for different reasons (Crilly et al, 2012; Bromley et al, 2012). The implication is that the determinants of decoupling can be internal, as well as external to the organization. Past studies of policy-practice decoupling that emphasize power, perception and interests of leaders (Westphal & Zajac, 1998; 2001) as determinants of decoupling, account only for coordinated top-down strategic responses. What is neglected is an understanding of how strategic decisions to implement policies can unintentionally yield decoupled outcomes as the policies travel down through the organizational hierarchy. We aim to respond to this gap by refining our understanding of how decoupled outcomes occur, with a revised conceptual model explicitly incorporating individual agency and a revision of loose coupling as a well-intended step toward tight coupling.

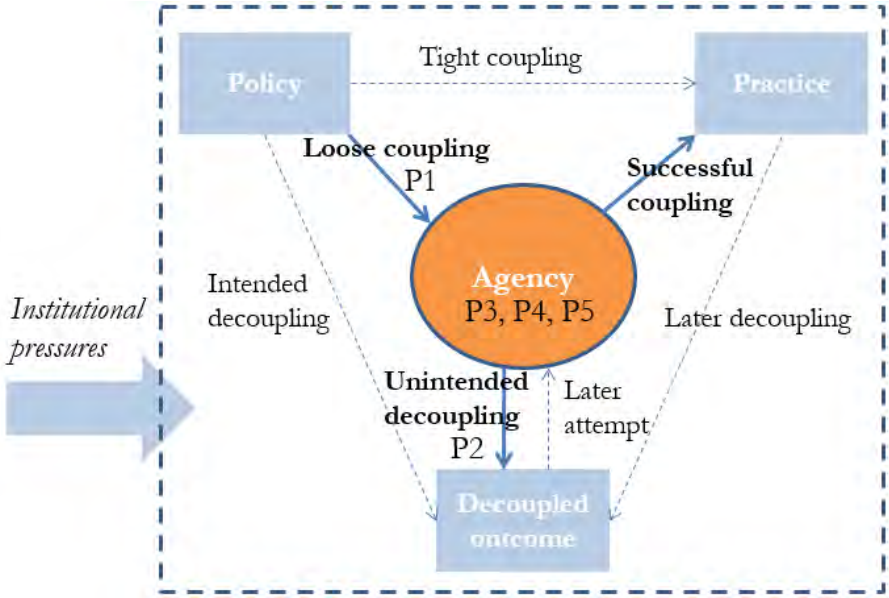
A conceptual model of coupling processes

The conceptual model depicted below, see Figure 1, shows institutional forces spanning the organization as a whole recognising recent literature (Bromley & Powell, 2012; Greenwood et al, 2011) which contrasts with the traditional top-down view where institutional forces were thought to be mediated by an organizational layer and experienced only through resulting policies (Meyer & Rowan, 1977). Here the institutional forces exert pressure independently across organizational levels from the strategic layer to the level of an individual's activities (Bromley & Powell, 2012). An individual's scope to interact with both the policy as a strategic response to the pressure and the source of the institutional imperative itself, becomes key.

As such, the centre of the model introduces a micro-level component labelled agency. Here we apply a sociological perspective and take agency to mean the latitude of an individual to take action or apply resistance in social systems, in this case, an individual's scope to respond to both organizational mandate and institutional pressures. Policy enactment here is characterized not by the simple execution of easily specified activities, but in the translating of policy to its local context (Bromley et al, 2012) and in enacting practices such that they become acceptable routine tasks. Here individuals play a crucial role in creating, maintaining or resisting organizational change (Lawrence & Suddaby, 2006) as they have the potential to modify taken-for-granted organizational activities (Zucker, 1987).

Crilly et al (2012:1429) introduce "*muddling through*", or emergent decoupling, and study two external and two firm-level factors in determining decoupling. Building on this work, our conceptual framing goes beyond the senior or executive level to look at agency inside the organization, to consider the technical core of the organization as distinct from the symbolic structure inhabited by senior managers.

Figure 1 – Conceptual model of tight coupling and decoupling processes



The main components of Figure 1 are detailed as follows. Firstly an organization can intentionally decouple. Despite intentional strategic decoupling becoming less palatable for executives (Bromley & Powell, 2012), it is still associated with policy adoption, particularly where implementation is not possible due to conflicting demands (Oliver, 1991), if it threatens internal consistency (Greenwood et al, 2011) or is perceived to be difficult or expensive such that the risk of exposure offsets the costs of implementation (Boxenbaum & Jonsson, 2006).

Secondly tight coupling relates to well understood policies that are clearly interpreted for the purposes of implementation and, provided with the necessary resources for implementation. Such policies may be routine in nature or strategic (Crilly et al, 2012). Tight coupling is also associated with the presence of organizational mechanisms for dissemination as well as clarity over goals (Greenwood & Hinings, 1996).

The focus of this paper is however, not on strategic decoupling or tight coupling, the two options identified by Meyer and Rowan (1977), but on a separate strategic path, we label loose coupling. If, as Greenwood & Meyer (2008:263) describe it, "*institutional pressures are often vague and the appropriate response may be less than clear*" it may therefore be natural, in some situations, to delegate the interpretation of policy (Bromley et al, 2012). However with delegation comes the potential for confusion and inconsistency and improvised implementation attempts can be inadequate (Crilly et al, 2012) or face internal resistance (Greenwood et al, 2011). As such an unintended decoupling is a possible consequence as organisations work towards tight coupling. However, the converse is also possible, that the delegation of implementation facilitates an appropriate response (Greenwood & Meyer, 2008) where "*the members of an adopting organization …articulate an appropriate meaning and work out reasonable uses for the imported practice*" (Bromley et al, 2012:473). Loose coupling in our model provides a distinction between routine tight coupling, where processes are determined by the symbolic structure and simply enacted, and strategies which intend to tightly couple but whose policy translation and practice definition is delegated to the technical core. Loose coupling as used here represents an update to notions of loosely coupling from earlier literature (Meyer & Rowan, 1977); we propose that structural separation is not always associated with strategic decoupling, as previously observed, but can also be part of a process of implementation.

Strategic decision making and policy implementation. Intentional decoupling is an increasingly problematic strategic choice for organizations responding to institutional demands. The legitimacy they seek in the symbolic adoption may not be conferred, or worse, the legitimacy of the organization in general may be questioned, if the decoupling becomes public knowledge. We argue that organizations are thus more likely to intend to tightly couple their policies with corresponding practices. In particular, when the institutional pressure relates to a normative imperative, like sustainability, the organization is motivated to 'do the right thing' and make good its claims.

However, tight coupling is also problematic when the institutional pressure is unclear or opaque (Wijen, 2014). Thus an organization, in such an uncertain circumstance, is likely to intend to tightly couple over time by entering a process of loose coupling whilst calling upon the willingness and resources available to individuals within the technical core of the organization.

Business schools are under pressure to implement sustainability-focused strategies (Wilson & Thomas, 2012; Wilson & McKiernan, 2011; Ferlie et al, 2010; Schoemaker, 2008). But as sustainability is an openly defined and contested concept (Moon, 2007; Springett & Kearins, 2001),

there is no single interpretation business schools can assume to conceptualize (Filho, 2000; Fien, 2002), nor agreed formula to operationalize (Stubbs & Schapper, 2011), what form a sustainability integration might take. So while business school leaders may *intend* to take positive steps to integrate sustainability, how these strategic intentions translate to strategic implementations in practice is steeped in ambiguity, requiring localized knowledge and limiting the ability of an organization to tightly couple as matter of routine. As such we propose that organizations will intend to tightly couple, and in the instance of sustainability policies and practices, this intention is most likely to involve a process of loose coupling.

> *Proposition 1a – Organizations are more likely to attempt to tightly couple than intentionally decouple*

> *Proposition 1b – Organizations responding to an ambiguous institutional pressure are more likely to attempt tight coupling through a process of loose coupling*

Implementation outcomes in practice. Decoupling is an expected outcome in general when analysing organizations responding to institutional pressures. Aligning practices with policies may not be efficient or feasible (Meyer & Rowan, 1977), particularly when the institutional environment is complex and pressures conflict with one another, meaning it is impossible to address contradictory organizational claims, even if there were good intentions when the claim was made.

Higher education is set within such a complex institutional context; universities are required to simultaneously respond to requirements to act as civic institutions and as a commercial enterprises (Gumport, 2000). Nevertheless the appearance of organizational adherence to these competing pressures is required in order to successfully participate in the sector and organizational claims are therefore made which, taken together, cannot all be executed in reality. Given the risk of disapproval managers are generally dissuaded from pursuing a deliberate decoupling strategy, instead organizations' intentions remain good and the responsibility for policy adoption thus moves into the organization. Whether the policy is implemented, and tightly coupled with practice, thus becomes determined by those employees who are tasked with enacting the policy, rather those managers responsible for setting strategy. Unintended decoupling is thus a consequence that follows if the implementation effort is unsuccessful.

The curricula of business schools is arguably a representation of its so-called technical core; the education of students being a central organizational activity. By viewing the policies or organizational espousals concerning a business schools' sustainability education and its practices concerning the degree to which sustainability is incorporated into the curriculum, provides a means to explore potential decoupling. Looking to earlier literature on business schools implementing sustainability education, surveys asking business schools to report on their progress find that the majority of schools claim to have engaged with sustainability (Matten & Moon, 2004; Christensen et al, 2007; Moon & Orlitzky, 2011). However similar studies sourcing information from business schools' own websites, indicate a lower proportion of schools actually feature sustainability education (Navarro, 2008; Wu et al, 2010) suggesting that not all strategic intentions result in practice. Decoupling of this kind is thus observed in the business schools sector.

> *Proposition 2 – Organizations that decouple their policy from practice are more likely to do so as a result of unintended rather than intended decoupling*

Agency and determinants of implementation

Internal factors are increasingly recognized as essential in explaining the divergence in organizational responses, namely whether to tightly couple or decouple, given a shared external environment and the same institutional pressures (Crilly et al, 2012; Boxenbaum & Jonsson, 2008). Sauder & Espeland (2009) also discuss the need to approach the study of factors that precipitate tight coupling or decoupling of an organization and its environment, from the opposite direction, looking at interactions inside the organization. Yet little has been done to date to explore the role of agency as opposed to structure (Heugens & Lander, 2009).

Institutional theory has traditionally down-played agency, but bringing agency into the picture helps explain organizational dynamics, while retaining the expectations of institutionalism (Wilkins & Huisman, 2012). The particular dynamic of concern, in this paper, relates to the conditions for policy enactment, and the barriers to successful implementation. "*Micro-processes play a large role in determining whether a practice becomes a routine part of organizational life or remains largely as window-dressing.*" (Bromley et al, 2011:473). In other words, the factors that determine agency are fundamental to understanding if internal processes yield tightly coupled or decoupled outcomes.

A review of the decoupling literature directs our attention to three internal factors which account for coupled or decoupled outcomes, these are: *willingness*, being a motivation and attitude to change (Weber et al, 2009); *capacity*, being the availability of material resources (Cole, 2005) and; *capability*, being access to the required skills and knowledge (Lounsbury & Ventresca, 2003). When applying these concepts to a business schools context, case-studies, detailing attempts to implement sustainability education and include sustainability in the curricula, reveal similar factors at play. A number of authors explore what happens when an individual business school adopts a sustainability policy and reveal failed or problematic accounts fraught with faculty-level resistance (Maloni et al, 2012; Solitander et al, 2012; Naeem & Peach, 2011) implicating individual willingness, capacity and capability. These three factors form our operationalization of determinants of individual agency and are developed in turn as follows.

Willingness. DiMaggio & Powell (1991) note that individuals are rarely making explicit cognitive choices concerning compliance with organizational processes, but rather performing behaviours informed by their context. We therefore operationalize this overall propensity to enact, maintain or resist in terms of a *willingness*, being a motivation and attitude to change, in relation to the macro, institutional pressure and organizational expectations.

The willingness of the organization's leaders is implied if an organization has both made a policy adoption, and is trying to tightly couple. The question of the willingness of the internal actors, with the delegated responsibility to interpret and implement, thus becomes of prime importance. As noted above, the degree to which motivations become locally embedded influences the outcome of implementations (Weber et al, 2009).

When considering settings pertaining to education in general Coburn (2004) finds that it is teacher autonomy in the classroom that determines decoupling of instruction from external expectations. And faculty autonomy is a defining feature of many business schools sustainability curricula (Moon & Orlitzky, 2010). Here the pre-existing beliefs of the individual, responsible for the curricula, regarding instructional quality governs the behaviour enacted in practice (Coburn, 2004).

Resistance to change derives from embedded norms (Greenwood & Hinings, 1996). Faculty are the important agents of business schools building the organization in their attempts to repeat or recreate the norms and routines of their places of work (Lawrence et al, 2011). However the relationship between faculty and sustainability education implementation is unclear. Faculty interests and faculty champions are associated with sustainability implementation (Matten & Moon, 2004; Christensen et al, 2007) but faculty are also associated with obstructing change and implementation (Solitander et al, 2012; Maloni et al, 2012). While individual faculty members are generally pro-sustainability, most perceive the problem of sustainability integration to relate to others (Toubiana, 2012; Jones et al, 2006) and how their support is won in this context is unclear (Gitsham, 2011). What is clear from the research is that faculty support, or willingness, is fundamental (Maloni et al, 2012; Solitander et al, 2012; Matten & Moon, 2004; Christensen et al, 2007) to the successful adoption of a sustainability strategy. Faculty therefore have to be both professionally motivated to embed the practice of sustainability education as well as sufficiently motivated by the external institutional environment to encourage tight coupling.

> *Proposition 3 – Organizations trying to tightly couple are more likely to become tightly coupled, than decoupled, if there is a high level of willingness*

Capacity. Organizational characteristics, such as wealth and resources, affect the rate and depth of change in organizations (Ramirez, 2002). Organizational slack has been linked to the probability of engaging with good causes (Seifert et al, 2004), implementing CSR policies (Bowen, 2002) and with sustainable development (Bansal, 2005). Furthermore, Bromley & Powell's (2012) analysis finds that policy-practice decoupling is to be expected when capacity is weak. Bromley et al (2012) specifically note that lack of resources is one of the reasons that organizational plans are not implemented. Cole's (2005; 2012) and Lim & Tsutsui's (2012) studies of decoupling find relationships with lack of capacity and the likelihood of policy-practice decoupling.

Capacity is increasingly constrained as the higher education sector in the UK in general shifts towards relying on market forces, rather than guaranteed state subsidies (Gumport, 2000). A consequence of an increasingly constrained organizational context is expected to be a reduced organizational attention on social issues (Moon, 2007). If sustainability policy adoption rates remains unchanged over time as indicated by intermittent studies in the last decade (Matten & Moon, 2004; Moon & Orlitzky, 2011) an increase in decoupling is likely to be associated with a decrease in capacity.

Organizational capacity is related to the capacity of individuals in the organizational system and as such can be viewed from a micro perspective. In a business school context, the ability of an individual faculty member to enact new processes associated with organizational change and the implementation of particular practices is expected to be positively associated with capacity both in terms of resources and time available.

> *Proposition 4 - Organizations trying to tightly couple are more likely to become tightly coupled, than decoupled, if there is a high level of available capacity*

Capability. The organizational capability, or the skills and knowledge of the organization are, like capacity, negatively linked to a decoupled outcome (Lounsbury & Ventresca, 2003; Weber et al, 2009; Bansal, 2005). Organizational capabilities can also be analysed at the micro-level, being an aggregate of individual organizational members' skills and knowledge.

Jones et al (2006) identify lack of skills as a key barrier for faculty in implementing sustainability and this is supported by the literature documenting failed or at the very least challenging implementation attempts (Maloni et al, 2012; Solitander et al, 2012). Furthermore, if there is a poor fit between existing practices and imposed goals, decoupling is more likely (Bromley & Powell, 2012).

> *Proposition 5 - Organizations trying to tightly couple are more likely to become tightly coupled, than decoupled, if there is a high level of internal capability*

DISCUSSION

This paper introduces a revised model of decoupling and establishes the central role of agency within the decoupling framework. Earlier work emphasised the role of external factors and the relationship between the managerial organizational layer and institutional pressures in decoupling. Our work approaches the problem from the other direction, recognising that institutional pressures penetrate organizational boundaries and examines how individuals themselves enact or resist the organizational policies that result from institutional pressure. Scholars call for an increasing recognition of the role of agency and the associated organizational processes at play (Heugens & Lander, 2009) and our work thus seeks to unpack the role of agency for organizations' ability to enact policy. We apply our extended conceptual model to business schools as organizations responding to calls for greater attention to their organizational responsibilities and commitments to sustainability, to explore how factors affecting faculty members' agency impact the likelihood of organizational decoupling. Specifically we identify willingness, capacity and capability as the three determining components that govern individuals' agency and their scope to enact or resist organizational policies intended to be tightly coupled.

Furthermore, scholars have also begun to identify decoupling beyond strategic intention. By applying the extended conceptual model this paper makes another contribution by explicitly elaborating a mechanism for unintended decoupling, which follows an exploratory organizational process we term, loose coupling. It is proposed that this route to policy-practice decoupling is more probable than intentional strategic acts to decouple and declare adherence to the institutional force externally, while deliberately keeping day-to-day activities unchanged. This is especially true for institutional pressures which are normatively derived, such as the sustainability imperative; setting out to claim green credentials while tactically avoiding organizational change is unlikely to be a defining strategy of many organizations operating in an era awakened to climate-change in a setting of increasing accountability expectations.

We note an explicit assumption and limitation of our work; that policies adopted in a quest for legitimacy are assumed to sufficiently address the requirements of the institutional pressure such that legitimacy is conferred. Policies that under-perform in responding to the goals associated with the institutional force are outside our conceptual framing as described in this paper, as without the reward and concern for legitimacy the feedback loop which we propose promotes intended tight coupling over strategic decoupling and precipitates unintended decoupling, may not be activated. The relevance of a policy-practice decoupling perspective has recently been brought into question where means-end decoupling has been introduced (Wijen, 2014; Bromley & Powell, 2012), which, by definition, addresses this limitation. Means-end decoupling describes a situation where goals that squarely relate to the institutional pressure become decoupled from the policy specified such that the enacted practice does not address the original goal. This is a promising area for further study,

particularly in the area of sustainability standards (Wijen, 2014) and has yet to be empirically examined.

While the attention of this paper remains at the centre of the model, in Figure 1, with loose coupling and the role of agency, it is noted that the model also recognises the dynamics of decoupling where shifts from initial tightly coupled or decoupled outcomes can occur (Hallett, 2010). Institutional agents can themselves attempt to enact a symbolic adoption correcting inconsistencies (Fiss & Zajac, 2001; Scott, 1995) in later attempts. And over time coupled practices can drift from the specific policy resulting in later decoupling (Weaver et al, 1999). How these ideas interplay and what conditions might trigger the various dynamic effects has not yet been studied. However, we have offered a starting point by reframing decoupling to include these routes alongside the process of loose coupling and agency determined factors.

In symbolically adopting policies, organizations in the same field, experiencing the same institutional pressures, appear to become more alike (DiMaggio & Powell, 1983). However in practice individual organizational responses to challenging implementations differ (Boxenbaum & Jonsson, 2008). Some organizations go on to implement a policy while others decouple in different ways (Crilly et al, 2012). We argue that attempting implementation and failing is a more likely scenario than intentional decoupling, and yet may be doubly damaging, since undertaking a change effort will not yield the benefits of decoupling and avoided change, and the risks to legitimacy may not be managed or mitigated if the decoupled outcome is not expected. Assertions of greenwashing are therefore an increasing risk to business schools as they attend to the sustainability imperative; decoupled organizations may be judged as "*faking it*" (Crilly et al, 2012:1429) and viewed unfavourably as involved in impression management strategies (Elsbach & Sutton, 2005) regardless of whether the decoupling was a cynical strategic act. Such negative press, at a time business schools are already in the spot-light for alleged failure in their duties to wider society (Pfeffer & Fong, 2004; Starkey & Tempest, 2005; Gioia, 2002), presents a significant risk to business school legitimacy and thus warrants further scholarly attention.

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Teaching & Learning

The Seas of Change: Exploring the Impacts of Semester at Sea on Students' Personal and Professional Growth

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Abstract: Study abroad has the power to be a transformative experience for students and there are few programs as unique as Semester at Sea (SAS). In order to empirically investigate the impacts, if any, this program had on former students we surveyed 107 alumni. A variety of themes emerged from the coding of the qualitative data, but many of them clustered around the emergence of compassion. From our findings we believe there is potential to recreate the parts of the SAS experience that fostered compassion in our own classrooms for students unable to study abroad.

Keywords: study abroad; compassion; social entrepreneurship

"Ships could transport more than cargo, they could carry ideas."
C.Y. Tung: Chinese Shipping Magnate-provided new ship and management for SAS in 1976

Universities have long employed study abroad as a means to allow students to experience new people and places while learning about themselves. Yet it is rare to find a collegiate experience, either on or off campus, where 90% of respondents state that it has a, "substantial impact on their lives" (Weigl, 2009). Few experiences abroad are as unique as Semester at Sea (SAS). SAS is a multiple country study abroad voyage that takes place on a 590-foot "floating campus" (ship) that covers 24,500 nautical miles and between eight and twelve countries each voyage (Why SAS?, 2014). Each fall and spring semester the ship circles the globe filled with students and faculty from around the world with the intention to, "introduce undergraduate students to global comparative studies by focusing on structural and social changes taking place in the world today" (Why SAS?, 2014). This introduction occurs through a variety of classes while a sea as well as via practicums and community engagement opportunities in each port. The engaged nature of a study abroad experience on SAS creates a unique opportunity to impact students in fundamental ways.

This research stems from the authors' own voyages on SAS (as both student and faculty) and seeks to empirically investigate the impact of the SAS experience on participants. We explicitly explore the short and long-term impact of SAS on its students.

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HISTORY OF SEMESTER AT SEA & PERSONAL EXPERIENCES

Professor James Edwin Lough created the original concept of shipboard education in 1926. While at New York University, he designed a "floating university" that would allow students to have a unique, first-hand educational experience in a variety of locations. The maiden voyage on the *SS Ryndan* lasted over seven months, covered 41,000 nautical miles and visited 35 countries (The History of Shipboard Education, 2014). Since that first voyage many things about SAS have changed, yet the dedication to shipboard education and a desire to allow students to travel and gain first-hand experiences around the world has remained the same.

Student Experience

In January of 1997, the first author set sail on the *SSUniverse Explorer* from the port of Nassau, Bahamas. On board were over 600 undergraduate students and a faculty and crew from around the world. The voyage docked in Venezuela, Brazil, South Africa, Kenya, India, Vietnam, the Philippines, Hong Kong, and Japan and the experiences from that semester (both positive and negative) had a profound impact; an impact that still resonates today.

This adventure, made it clear that the largest takeaways from SAS would not come from course content. This is not to say that the courses were not excellent, but rather that the experiences while in port were eye opening in ways that couldn't truly be fathomed as a middle-class American.

Faculty Experience

A student in a Leadership and Spirituality course introduced the second author to the educational potential inherent in SAS about seven years ago. The student was profoundly impacted by her experiences on an SAS voyage, recalling a personal encounter with Desmond Tutu during her time in South Africa and a poignant visit to the slums of India. Truly, these were transformative experiences in her young life. After hearing about her voyage, student after student returned from SAS clearly touched by their educational experiences. It was clear that SAS had developed a unique learning opportunity for students and faculty alike.

The incomparable value of this kind of transformative educational experience led the second author to apply to teach on Semester at Sea and he has now had the privilege and pleasure of serving on the faculty for two voyages, teaching social entrepreneurship and global development. On these voyages, SAS students are uniquely challenged to have a "constructive encounter with otherness" (Parks, 2011), i.e. coming face to face with people from other cultures, socio-economic class, race, nationality, and world view.

PREVIOUS SEMESTER AT SEA RESEARCH

Previous studies have been conducted to measure the impact of SAS on students. McCabe (1994) interviewed participants of a particular voyage to determine how, if at all, their global perspective was altered through their SAS experience. The findings modestly state that much of the maturation in global outlook could have been as much conditioned by earlier formative experiences than by the experiences on the voyage. Dukes (1991, 1996) conducted two studies to measure the longer-term

impact of semester at sea participants. Such longitudinal studies help to elucidate the "sleeper effect" founded in Weigl's (2009) unpublished study surveying the impacts of SAS on participants from the last three decades of voyages. Weigl's sleeper effect refers to the delayed impact on participants' personal and professional growth as they continue to reflect upon the meaning and import of their SAS experiences years and even decades following the voyage. Our study seeks to build on the insights of limited previous research conducted on such a unique and richly constructed learning experience.

METHODS

Our approach to this topic was as participant observers engaged in phenomenological research (Sanders, 1982). We utilized an inductive approach with a semi-structured interview process, which yielded qualitative data (Goddard & Melville, 2004). Our data were obtained via an online survey. The survey was distributed to a variety of SAS alumni groups on Facebook, sent to the University of San Diego SAS alumni that set sail from Fall 2009-Fall 2014, as well as posted on personal Facebook pages and sent to friends and colleagues known to have taken an SAS voyage. A total of 107 SAS alumni completed the survey. These individuals sailed on voyages between 1968-2014 and the ethnic composition of the sample was 83% Caucasian, 11% Hispanic, 3% Asian/Pacific Islander, 2%, Black/African American and 1% Native American. We did not ask for additional demographic data, as we wanted participants to feel comfortable being as honest as possible in their answers. Once data were collected for our research question: *How, if at all, is your life different as a result of your experiences on Semester at Sea?*, we coded approximately 200 individual responses and grouped these into themes.

FINDINGS

We saw that several salient and interrelated themes arose from our coding and that, in one way or another, many aligned with ideas of compassion. For example, some of the themes included: Growth in compassion for those less fortunate, life changing moments, a growing awareness of relative privilege, valuing diversity and difference and broader cultural competency.

> Self-absorption in all its forms kills empathy, let alone compassion. When we focus on ourselves, our world contracts as our problems and preoccupations loom large. But when we focus on others, our world expands. Our own problems drift to the periphery of the mind and so seem smaller, and we increase our capacity for connection - or compassionate action (Goleman, 2011: 54).

Compassion involves feelings of concern (Eisenberg, Shea, Carlo & Knight, 1991) and is targeted inward, as it forces the individual to mentally stand in the shoes of another individual. Often confused with sympathy or empathy, compassion is actually quite distinct. Sympathy is feeling sorry for the plight of another; empathy is feeling what another feels and (potentially) being overwhelmed; compassion, however, is feeling what another feels *without* being overwhelmed (Wigglesworth, 2013). In Haidt's (2003) classification of the moral emotions, compassion is part of the other-suffering family because it is elicited by perceptions of others' sorrow. Individuals feeling compassion tap into the ability to understand the plight of others and there is a distinct desire to comfort and help and because of this, compassion has a high degree of prosocial action tendency; meaning that it generates the desire to respond by engaging in "goal-related" actions (Haidt, 2003). These

descriptions tie directly to the feelings and experiences SAS alumnae describe. However, their accounts of the impact of SAS on their lives varied in the ways they framed compassion. Below we describe the specific ways we saw participants detail compassion as a result of their SAS voyage.

Major Themes

For many SAS participants this voyage is the first time they are away from their family for an extended period of time. Students are forced to face the reality of the ways other people live and they are often very far out of their comfort zones. SAS vaults participants into novel cultural experiences with little to no safety net and this approach often fosters great change. For example, on student noted, "I'm much more understanding and open when I meet new, 'different' people. Especially compared to some of my friends who haven't traveled." This approach also helps develop new skills, "SAS also gave me confidence and compassion and patience that perhaps I just had not realized yet."

The emergence or realization of compassion seemed to be a starting point for many students' SAS experience. Other students may have already had this foundation and their interactions generated additional desires. For example, respondents from the second author's voyages spoke of a desire to create positive change in the world through concrete actions, including but not limited to, working for or founding a social entrepreneurial venture. According to Dees (1998), social entrepreneurs are a unique type of societal change agent, who endeavor to create social value as well as economic value. While it is impossible to know whether these students would demonstrate a compassionate and prosocial focus for their professional careers without their SAS voyage, many students cited SAS as the source of their newfound confidence and renewed sense of social purpose.

Haidt (2003) suggests that feelings of compassion drive individuals to want to actually fix the issues that they see. This was clear in some of the responses given by students. "On Semester at Sea I was exposed to other cultures in a way I had not experienced before. My compassion and desire to help others was sparked." However, some students were even more specific in their desire to make positive changes, in that they set specific goals to solve a problem. "SAS taught me a lot about the world, myself, and how I can change the world to be a better place. I found a home in the people I traveled with, a fire was ignited within me from the people I met, and a goal was set upon my return."

As further evidence of this prosocial tendency to want to address certain issues witnessed on SAS, several students have started companies to deal with global issues they encountered. Perhaps the most notable is Jessica Jackley (Spring, 1999) co-founder of kiva.org. Kiva is, a non-profit organization with a mission to connect people through lending to alleviate poverty. Since its inception, Kiva has provided over $700,000,000 in loans given in increments as little as $25 (About Kiva, 2015). Two fall 2011 alumni created Serengetee, a tee-shirt company with the goal of connecting people to the globe through fabric while giving back to the communities that inspire our products (Jeff & Ryan's Story, 2015). Each tee-shirt features hand made fabric sourced directly from one of the thirty-five countries in which the company currently supports causes such as education, health and access to water.

In addition to indications of an expanded prosocial tendency and concomitant growth in compassion, many voyagers responded that their worldview was altered, broadened and deepened,

as a result of their SAS experience. One alumnus described how their eyes were opened to a richer and more diverse world outside of their everyday experience. "A worldview is an exceptional education. SAS awards this for certain. I have a compassion for our global cultures unmatched because of SAS travel and hands on learning." Likewise, in the words of another voyager, "I feel like I have gained a better awareness for other cultures. Becoming more accepting as a member of society is the first step to contributing more." This dawning awareness of what it means to be a global citizen is one of the primary learning objectives for SAS participants and, according to our respondents, it appears to be one of the most salient outcomes of the SAS experience.

LIMITATIONS

The individuals that have taken a voyage on SAS are undoubtedly a specific group. Tuition for room and board is $29,950 for the Fall 2016 voyage (Program Fees, 2015). These fees do not include excursions or flights and hotels to ports of embarkation and debarkation. We acknowledge that this skews those able to participate in this particular study abroad experience; however, there are extensive opportunities for financial aid available to all students.

There is not a master list of all SAS alumnae so our sample was comprised of individuals we were able to reach through various alumni groups and email lists. We are not certain how many individuals our approach reached and realize that this approach eliminated a large potential portion of individuals, however, the N of 107 for qualitative research is quite respectable. Additionally, our sample is representative of the population participating on SAS and we believe that the forty-six year span of voyages represented in our sample is useful in alleviating some bias in participant responses.

A final potential limitation is the lack negative insights or experiences reported by our participants. Clearly a voyage covering the globe and an entire semester may have some low points. From personal experience, the authors feel that the overall voyage is so overwhelmingly positive that bad or negative experiences are simply overshadowed and fade into the background over time. It is also possible that those individuals who had negative feelings about he SAS experience simply opted to not participate.

IMPLICATIONS AND FUTURE WORK

The implications of our study will be of interest to a variety of stakeholders. The Institute for Shipboard Education has not conducted a great deal of research about the impacts of their voyages so our findings will be of use to them in the design of future courses and activities for SAS which, in turn, will impact over 1,200 students a year. Study abroad professionals more generally will be interested in learning about what they can do to cultivate compassion in their students and have both short and long-term positive impacts.

This work can also help improve the way we approach teaching and addresses a research agenda that calls for a closer scrutiny of the salient factors leading this generation of students and workers engaging in social entrepreneurial activity (Miller, Grimes, McMullen & Vogus, 2013).
Not all students have the opportunity to study abroad, yet the benefits of these programs are clearly useful in the short and long-term. Knowing how compassion was developed on SAS and what types of activities triggered feelings of compassion may help us create classroom experiences mimic those

conditions in a traditional campus setting. Additionally, we believe that study abroad is a key component in the creation of these types of social entrepreneurs and see our work as a way to better understand how this influence occurs.

A specific way to bring some of the more impactful elements of the SAS experience onshore and on campus, involves constructing experiences where students can have a "constructive encounter with otherness" (Parks, 2011). Parks' phrase captures the learning opportunity represented by the students in country experiences with people of different nationalities, ethnicities, and socio-economic classes. To have a constructive encounter with otherness that would yield a deeper sense of connectedness with someone outside of their own circle of familiarity, their "tribe." The hope is that this connectedness would lead others to transcend the tribalism that mitigates against a truly global outlook and prevents an experience of genuine solidarity with those different from me, and perhaps with those much less fortunate than me. The ultimate values sought here are a sense of solidarity with the less fortunate, leading to an empathic outlook, which sets the psychological and emotional preconditions for compassionate action.

One innovative way to lead students to these experiences entails engaging students in social entrepreneurial competitions. Both on the voyage, and now on campus, we have witnessed the power of these competitions to engender in their participants the values of compassion and solidarity, as well as practical problem solving skills. Participants in events, like the University of San Diego's Social Innovation Challenge, compete for seed money for new ventures that address some social issues or local problem, while simultaneously creating both economic and social value. At first blush, this may look like a daunting proposal, but the ingenuity, passion, creativity, and empathy driving these students leads them to both compassionate and productive solutions to intractable social problems. While their ventures rarely scale up to fully resolve some of the stubborn social problems, many of them make significant local impact which can then be replicated abroad with the appropriate contacts and cross cultural sensitivities.

SAS has recognized the power of these competitions and related coursework to inform, equip, and inspire the next generation of change makers that they now have at least one course and competition each year on their voyages. As an Ashoka designated Changmaker Campus, the University of San Diego leverages the academic and practical learning offered through the Social Innovation Challenge and its related workshops. Students do not have to leave campus to have a "constructive encounter with otherness," to grow in compassion, and to broaden their global perspectives. Perhaps this approach on other campuses would be equally beneficial and begin the replication of the compassion-building activities found on SAS.

CONCLUSION

There is a great deal of literature linking compassion to social entrepreneurship (Miller, Grimes, McMullen & Vogus, 2012; Arend, 2013; Hemingway, 2005), yet the impact of compassion on education in general, and study abroad in particular, is largely anecdotal. We believe that a better understanding of what it takes to help students develop this competency is crucial for long-term success in life and work.

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Teaching & Learning **Fits Conference Theme**

The Pursuit of Pura Vida in the Educational Experience

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Abstract: Motivated by the desire to make our courses more relevant to students, we use experiential techniques that highlight the importance of civic and environmental causes. In three courses, across three disciplines, at three institutions, we are each grappling with issues of measuring student outcomes and assessment in sustainability themed courses. The purpose of this research is to compare the experiential mechanisms used across courses, in particular, service-learning and engaged scholarship, and with the help of IABS colleagues, to create relevant student outcome metrics. Our goal is to impact the scholarship of teaching by documenting pedagogical processes and outcomes that highlight best practices in the teaching of sustainability, and more broadly, business and society courses.

Keywords: service learning; engaged scholarship; experiential learning; civic engagement

INTRODUCTION

"Educating the mind without educating the heart is no education at all." –Aristotle

Topics under the business and society umbrella lend themselves well to pedagogical approaches that require students to engage in projects outside of their classrooms. Experiential learning - including service-learning and engaged scholarship - bridge theory and practice in ways that are meaningful to society as well as the students. In this proposal, we seek to highlight the benefits and challenges associated with experiential learning across three courses at three separate institutions. Aside from producing a list of 'best practices', we are interested in discovering ways in which student outcomes can be measured to assure that learning is indeed taking place.

Service learning and similar initiatives are now commonplace features in college curricula. The popular press is full of stories of institutions forging stronger ties with their surrounding communities and developing the civic-mindedness of their students. In a post-Katrina New Orleans Tulane University making service learning a strong priority in the curriculum was central to its commitment to rebuilding a damaged city. Students from Gettysburg College go beyond "the myths and stereotypes of homelessness" as part of a course that includes tutoring, serving meals and working at a Washington, D.C. homeless shelter. Campus Compact, a national organization

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dedicated to civic engagement in higher education, reports expanded membership, programs, participation and financial support for civic engagement programs (Campus Compact, 2013). As Brower notes (2011) these types of pedagogies, in particular those focused on "sustainable community development" are especially well-suited for business courses.

LITERATURE REVIEW

While academics, ourselves included, seem to use the terms service-learning and engaged scholarship interchangeably, we define them here to distinguish between the three cases we will be presenting below. Service learning is arguably the more notable concept. From a public policy perspective the National and Community Service Act (1990) defines service learning as "… a learning experience where students actively participate in service experiences that meet a real community need; the service enhances what is taught in the classroom and is integrated into the students' academic curricula; and the program provides structured time for a student to think, talk or write about what the student did and saw during the actual service activity" (National Community Service Act, 1999).

This definition intends to encompass service learning at multiple levels: secondary schools and colleges/universities. Jacoby (1999) reinforces this view. He defines service learning as a "… mode of experiential education in which students participate in activities that address human and community issues in combination with structured lessons and tasks designed to promote their learning and development" (p. 5). Scholars emphasize the difference between volunteerism and service-learning by suggesting that only projects with strong theoretical foundations, clear learning objectives, class activities involving community engagement, and opportunities for reflection are considered service-learning (Kenworthy-U'Ren & Peterson, 2005).

Service learning projects are not without their challenges. They have been depicted as "messy" due to their context-specific nature (Brower, 2011). Given the wide variety of settings, persons, and issues confronted it can be difficult to establish predictable learning outcomes- pedagogy-assessment sequences. But these characteristics can also be viewed as virtues. During service learning projects students will encounter "real world" problems and efforts by engaged individuals and organizations to address those problems. Students also will have opportunities to reflect how their experiences shape their knowledge and understanding of themselves, their communities and their disciplines. Further through the process of engagement students (and faculty) have the opportunity to help community groups solve problems and enrich the lives of others. These three dimensions, *reality, reflection* and *reciprocity* have been referred to the as the "3 Rs" of service learning (Godfrey, Illes & Berry, 2005).

Yorio and Ye (2012) proposed that service learning projects are likely to create three types of benefits for their participants- (1) understanding social issues, (2) enhanced personal insight and (3) cognitive development. Understanding social issues is reflected in an individual's frame of reference and can include several specific aspects such as cultural awareness, moral sensitivity and a desire to engage in future efforts aimed at staying engaged with social issues. Personal insight includes factors such as self-esteem, persistence and a sense of one's strengths and weaknesses. Interestingly Yorio and Ye note that it is difficult to anticipate the direction of changes in self-awareness measures since a service learning experience may provide a student with a more realistic view of one's place in the world (2012, p. 12) (think about the attention devoted currently to the notion of "white privilege").

Finally, cognitive development outcomes may include enhanced learning, skill development and critical thinking. Their meta-analysis identified forty usable service learning studies including nearly 5500 participants. Their findings found support for the three main hypotheses; service learning experiences tend to yield positive effects for their participants. These findings closely associate with Hatcher and Studer's (2015) synopsis of four main service learning benefits: practical skills (including critical thinking), citizenship, personal responsibility, and interpersonal skills.

Engaged scholarship, defined as out-of-classroom academic experiences that complement in-classroom learning through community interaction is also distinct from community service in that it is not community service alone, yet a more 'directed effort that blends traditional academic work with practice' (Paynter, 2014, p. 57). The concept of engaged scholarship received notable attention in the management when Van de Van and Johnson (2006) called for a new paradigm to bridge differences between researchers and practitioners. One of their recommendations calls for an "arbitrage" strategy of expanded communication, involvement and interaction between research stakeholders over the life of the project. Tsui (2013) endorsed this approach when she recently called for HRD researchers to treat their investigations of leadership not only as means to understanding improvements in productivity and organizational performance but as a critical element in "… improving human welfare through advancing health, satisfaction, justice, and social responsibility" (p. 140).

All three of us have used both service-learning and engaged scholarship as pedagogical tools. Most recently however, two of the authors were introduced to a particular type of engaged scholarship – the living laboratory, which is a given place where problem-based teaching, research and applied work combine to develop actionable solutions that make that place more sustainable (Developing a campus sustainability living lab, n.d.). The third case study represents a more traditional form of service learning whose conceptual and operational impetus was rooted in an expanded emphasis on service learning at the university level.

METHODOLOGY

Case Study 1

Method employed – Living Lab – Undergraduate Science Education. Within the realm of undergraduate science education, dissolving the boundaries of the traditional classroom to create a living laboratory can take many forms. At my college, the freshman seminar for education majors explores sustainability leadership through readings and activities that promote using the school grounds as an alternative to the classroom. Whenever weather permits, class is held outdoors. Throughout the semester students begin to understand the positive benefits of engaging elementary school students with nature. In addition, students in the class select a campus sustainability project that they design, seek funding for, and implement. The 2013 class wrote a grant proposal and was successfully funded to design and implement a campus community garden and greenhouse. This project is still in the process of being completed.

For the past decade the "Connecting Humans and Nature through Conservation Experiences" (CHANCE) program has been immersing participants in learning environments in which participants work directly with scientists to explore species biodiversity, research ecology, and

conserve the biological structure of select and threatened ecosystems around the world. In June 2014 the CHANCE program traveled to Costa Rica and Panama where they explored tropical forest and marine environments over a two-week period.

Although most students in these programs verbally attest to the positive impact of these experiences, the fact remains that their tales are merely anecdotal evidence. Beyond identifying whether or not the students have met the objectives outlined in their proposal or in the syllabus, it is difficult to empirically assess the students' knowledge of and engagement in sustainability as a lifelong pursuit. Currently there are very few valid and reliable instruments that help faculty identify successful sustainability-related elements of their programs and projects.

One method of assessment currently employed in the biology field course in Costa Rica and Panama involves student journaling. Students are required to respond to a series of ten journal prompts that require the student to reflect upon the field activities in ways that enable the instructors to evaluate the students' levels of engagement in the pursuit of sustainability. Using Schon's (1984) reflection-in-action as a theoretical framework, students' journal entries can be qualitatively evaluated. The challenge that remains, however, is how we can look longitudinally at student's sustainability pursuits.

Case Study 2

Method employed – Living Lab – Undergraduate Sustainable Business Practices Course. During the past summer one of the authors taught in a cross-disciplinary pilot program in which undergraduates in various majors took classes in solar energy and sustainability while working in paid internships. The living lab application for this class was unique in that (1) the class was held off-campus in a carbon-neutral 'home' located on a business campus in an urban area committed to energy efficiency and sustainability; and (2) about 50% of the class meeting time was appropriated to guest speakers and fieldtrips. The primary objectives of the course were to introduce students to various concepts including history of the sustainability movement, the role of business in local economies, the triple bottom line, ethical leadership and social responsibility, B-corporations and worker-owner cooperatives all within a systems thinking framework. For some of the students (engineering majors) this was their first exposure to a business course. Numerous local organizations are entrenched in the sustainable business movement which provided opportunities to visit a publicly traded corporation known for excellence in CSR and sustainable supply chain practices, a member-owned farm and food cooperative, a locally-sourced brewery and a B-Corp certified coffeehouse.

As a short summer pilot course, the focus was less on academic rigor and more on an overall sense of whether the course 'worked' in its current form with an eye toward developing a more rigorous, permanent course/experience. That said the students were required to post answers to discussion board questions to reinforce theoretical concepts and to write reflective paragraphs after each guest lecture or fieldtrip. Their 'big' assignment was to perform B-Impact assessments on a small local business and to write a summary of the findings and a brief, high level set of recommendations for the business to improve its impact score. Anecdotal evidence collected through student posts and reflections indicate that the course concepts students learned through readings, lectures, and YouTube videos were almost immediately reinforced through presentations by business leaders and agricultural experts. The outcome of the B-Impact assignment exposed students to the role of

'consultant' which gave them an indication of the pushback 'clients' can give to a process, and reinforced the idea that business organizations build stakeholder management/engagement into their DNA.

Student reactions to the overall course structure and the use of (in addition to the carbon-neutral house) the geographic region as a living laboratory were positive. More than anything I covered in class, meeting professionals in their work environments, seeing that concepts like sustainable supply chains, fair labor practices including paying living wages, local only sourcing, and strong community relationships are highly regarded in some businesses, even large corporations, was really eye opening for them. Pressing questions that remain are (1) how do we ensure that students adopt a 'sustainability mindset' learned in this and similar courses? and (2) how will we know that they have?

Case Study 3

Method employed – Service Learning Project – Undergraduate Business Ethics and Sustainability Course. The third case study reviews a service learning project that has been one of the project options in this course for several years. Most students (about 80%) complete an eight-hour service learning project with a local nonprofit (501c3) organization. (For a variety of reasons the instructor deemed it desirable to offer an alternative assignment, a "stakeholder audit" a few years after introducing the service learning project.) Students ultimately submit a final paper containing four major sections.

The first section provides background information about the organization including its history, mission, major operations and governance. The second section calls for a minimum of three secondary articles related to the organization's cause. For example, if a student volunteers at a food bank they must find three articles related to hunger, or if the project takes place at a senior center the articles will be about aging. The intent of this section is to expand the student's knowledge of the forces responsible for the client organization's purpose. The third section is a description of the events that occurred during their experience. Here I ask them to develop and share as much as possible, to engage me with their stories, to introduce the characters that they meet. Given that their service is for a limited time, I encourage them to "find the Zen", to see the connection between their own tasks (however menial they may seem at the time) and the organization's mission. Finally the fourth section asks for a reflection connecting personal insights with the overall significance of the experience. This final section is admittedly the most challenging. It has been my experience that some students give their reflections scant attention; their reflections can have a "written the night before" feel.

There are also several components aimed at bringing some coherence to these individual projects. All students post a summary (1-2 paragraphs) about their experiences to a discussion forum on Blackboard. Students are also required to read and make replies to at least two summaries posted by their peers. We also devote additional class time to informal conversations about the missions and operations of their nonprofit organizations. Some of the typical organizations served include soup kitchens, food banks, environmental causes (e.g. stream clean up, tree planting), Habitat for Humanity, Meals on Wheels, youth mentoring, and animal/pet welfare.

An additional aspect of this assignment is worth noting. I will perform one volunteer shift (four hours) at an urban soup kitchen. I invite students to join me. Those that do must still schedule an additional shift on their own. During our time I participate in all the typical tasks along side other volunteers including preparing food prior to opening, serving drinks, and cleaning tables. I try to take pictures during the event (actually I ask all students to share pictures from their projects) and will share them on our class Blackboard site. I like to reinforce with students I also create and receive value from participation. By building service into my own schedule, this also helps, to some extent, diffuse the late semester stories, "I didn't have time for this project." Finally, and in consultation with the students, I select one nonprofit from each class and personally make a financial contribution (the minimum wage equivalent of eight hours of time). This modest investment brings an added significance to the project.

Based on the experience up to now, three general outcomes can be identified. First, because there is a section devoted to charity/ community relations in the Business Ethics and Sustainability course, this project connects with experiences they will likely encounter in future employment. There is a strong likelihood that this sort of engagement is something that will be expected (or rewarded) during their careers. A second benefit is students occasionally report an enhanced understanding of some phenomenon (e.g. poverty) with a statement like, "I was really surprised how pleasant these people were." An observation like this suggests students are challenging previously held assumptions. Third, students often describe some state of self-satisfaction such as "I felt better about myself" or "I felt good about helping others." They even report that as a result of this experience they are more open about helping out in the future, possibly even staying in contact with the nonprofit organization.

Preliminary Data Collection and Findings

The authors have begun the process of collecting and organizing feedback from these three experiences. Students in case study two ("living laboratory") have already responded to assignment items as part of a larger course evaluation protocol. Responses to several items provide a sense about the success of learning outcomes associated with their scholarship projects.

The author of case study three ("service learning in a UG business ethics and sustainability class") contacted approximately seventy former students via LinkedIn to elicit feedback about their projects. Some of these students completed their projects fairly recently (within the past year). Other students participated during the project's early stages of development (about eights years ago). We will be very curious about this early cohort and whether and what type of lasting impact a service learning project can have. While the invitation to comment was open-ended in nature, four questions were offered to stimulate thinking. These questions correspond closely with the outcomes identified by Yorio and Ye (2012) and Hatcher and Studer (2015). Specifically the prompt questions were the extent to which the project (a) helped you develop insights or expand your awareness of certain community issues (b) helped you learn something about yourself (your interests, your skills, your values), (c) had any instrumental value to your career after graduation and (d) made you more willing to consider or engage in volunteer activities in the future. At this juncture we can only assess the knowledge students have retained since they were in class, by asking them to respond to questions about course concepts.

To prepare for our session at IABS, we analyzed the anecdotal data we had thus far, and found across the three case studies that (1) students find the experiential pedagogy pleasurable, meaningful, and reinforcing of course concepts, (2) students appear to undergo a series of 'aha' moments and experience a sense of 'raised consciousness', (3) place (outside the classroom) matters. Overall it appears that engaged scholarship as living laboratories and service-learning projects provide interesting and enlightening experiences for students.

These observations helped us to formulate a series of more specific research questions: (1) what are the longitudinal effects of engaged scholarship/service-learning projects on students' knowledge of and engagement in subject area competencies? Indicators may include: (a) career development/decision-making, (b) business decisions, (c) lifestyle choices (i.e. Recycling, social impact investing, social venture creation, etc.); (2) do the longitudinal effects of engaged scholarship/service learning projects vary by discipline (e.g. business vs. science education)?, and (3) do short and long-term student outcomes vary depending upon specific pedagogical design?

At IABS, we elicited feedback on our research questions and asked for help with a study design. IABS participants many of whom were grappling with the same issues in their courses suggested a longitudinal study with a control group (same course with no experiential learning component), administering pre-post course surveys. Subject matter competence (acquisition of facts) and personal development and comprehensive learning (understanding) will be evaluated. Each pedagogical tool will be evaluated separately (e.g. paper vs. journal reflection vs. volunteer activity, etc.) to be able to compare techniques across three courses. We are grateful to our colleagues for providing us with so many valuable suggestions.

INTEGRATIVE SUMMARY

The focus of this project was to identify and develop common themes across these our experiences. Disparate as they may have been, we came to understand how these three efforts shared the common aims of expanding experiential pedagogies and making our courses more relevant to students. Further, while we took different paths, we also saw our classrooms as living laboratories and places of social change, educating our students' minds and hearts. In each case our students were placed on the front lines of civic and environmental causes. We also were able to take advantage of including an international project (case study one). Conducting a service-learning/engaged scholarship project outside of a home country presents unique challenges and opportunities (Brower, 2011). Critical elements from case study one provided some valuable comparisons with the other two cases. This inquiry also allowed us to suggest some possible connections between our efforts in the classroom and the new AACSB initiatives focused on students as active, engaged participants in learning. Our research may provide some insights for schools and instructors looking to document progress toward AACSB's recent standards (impact, innovation, engagement), in particular those pedagogical processes and outcomes related to the scholarship of teaching various sustainability-related topics.

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CONFERENCE CHAIR REMARKS

Vanessa Hill, Conference Chair for IABS 2015

Thanks to all who attended 26th annual meetings of IABS in Costa Rica. We enjoyed a full program with over 100 presentations comprising of papers, symposia, innovative sessions and workshops. The conference opened with a keynote address from Brian Campbell, the general manager of El Viejo Sugar Mill. El Viejo is the largest sugar mill in Costa Rica and is actively working toward operating a carbon neutral operation over the next several years. Brian's presentation of El Viejo's transition from a conventional operation to an environmentally sustainable one was truly inspiring.

Friday began with news of a volcano erupting close to the capital city of San Jose. I took this to be a good omen that the full day of sessions would prompt a passionate exchange of ideas. The Sustainable Business Exposition allowed people to interact with businesses, non-profit organizations and NGOs that employ or advocate the use of sustainable business practices. Some of our intrepid exhibitors braved the horrendous traffic delays caused by the volcano eruption to share with us insights about how their organizations promote and employ sustainable business practices.

The highlight of the conference was the banquet. A marimba band played for us as the sun set over the resort lagoon marking another beautiful day in Costa Rica. During the banquet we recognized our colleagues for their research accomplishments. The *Best Published Paper of 2013* was awarded to Andy Crane for his 2013 article "Modern Slavery as a Management Practice: Exploring the Conditions and Capabilities of Human Exploitation" published in the Academy of Management Review.
The *Best Conference Paper* was awarded to Annie Powell, Johanne Grosvold, and Andrew Millington for their paper "Trying and Failing: Understanding Adoption and Enactment Processes of Organizational Sustainability Commitments through Unintended Decoupling". The banquet continued as we were entertained by a folkloric dance troupe after dinner. After an energetic performance, the dancers were able to convince some of us to join them in one more number. A good evening was enjoyed by all.

It was my pleasure to organize this year's conference. It was truly a rewarding experience to see all of the planning come to fruition. I want to extend my thanks again to our sponsors The Centre for Sustainable and Responsible Organizations (CSaRO) at Deakin University; the B.I. Moody III College of Business Administration and my local logistics partner Gabriela Gutierrez from Visit Costa Rica. This conference was made possible by their generous support. I hope you all enjoyed the conference and I look forward to seeing you next year in Utah for IABS 2016.

Pura Vida!

26th Annual IABS Conference
Pura Vida: Realizing Eudemonia in Business and Society
March 12 - 15, 2015
Guanacaste, Costa Rica

Program at a glance

Thursday, March 12		
8:00 a.m. - 12:00 p.m.	IABS Board Meeting	Salon Guanacaste
8:00 a.m. - 4:00 p.m.	Excursions	
6:00 p.m. - 8:00 p.m.	Opening Reception	Beach Garden
2:00 p.m. - 8:00 p.m.	Registration	Amphitheater Foyer & Beach Garden
Friday, March 13		
8:00 a.m. – 5:00 p.m.	Registration	Amphitheater Foyer
7:00 a.m. – 10:00 a.m.	Business & Society Editorial Board Meeting	Salon Guanacaste
8:30 a.m. – 3:30 p.m.	Sustainable Business Exposition	Amphitheater Pacifico
8:30 a.m. – 10:00 a.m.	Concurrent Sessions	Meeting Rooms
10:00 a.m. – 10:30 a.m.	Morning Break	Amphitheater Foyer
10:30 a.m. – 12:00 p.m.	Concurrent sessions	Meeting Rooms
12:00p.m. – 1:30: p.m.	Lunch	Resort Dining Room
1:30 p.m. – 3:00 p.m.	Concurrent Sessions	Meeting Rooms
3:00 p.m. – 3:30 p.m.	Afternoon Break	Amphitheater Foyer
3:30 p.m. – 5:00 p.m.	Concurrent Sessions	Meeting Rooms
5:15 p.m. – 6:30 p.m.	IABS Business Meeting (Everyone Welcome: Please attend)	Amphitheater Pacifico
6:30 p.m. – 8:00 p.m.	Doctoral Students Dinner	IABS Board & Fellows
	Saturday, March 14	
8:30 a.m. – 12:30 p.m.	Registration	Amphitheater Foyer
7:30 a.m. – 8:30 a.m.	IABS Fellows Meeting	Salon Guanacaste
8:30 a.m. – 10:00 a.m.	Concurrent Sessions	Meeting Rooms
10:00 a.m. – 10:30 a.m.	Morning Break	Amphitheater Foyer
10:30 a.m. – 12:00 p.m.	Concurrent sessions	Meeting Rooms
12:00p.m. – 1:30: p.m.	Business & Society Associate Editor's Meeting	Resort Dining Room
12:00 p.m. – 4:00 p.m.	Doctoral Student Consortium	Salon Papagayo 1 & 2
5:00 p.m. – 6:00 p.m.	Reception	Beach Garden
6:00 p.m. – 8:00 p.m.	Conference Banquet	Beach Garden
	Sunday, March 15	
8:30 a.m. – 10:00 a.m.	Concurrent Sessions	Meeting Rooms
10:00 a.m. – 10:30 a.m.	Morning Break	Amphitheater Foyer
10:30 a.m. – 12:00 p.m.	Concurrent Sessions	Meeting Rooms
12:00 p.m.	Conference Concludes… See you next year!	

26th Annual IABS Conference
Pura Vida: Realizing Eudemonia in Business and Society
March 12 - 15, 2015
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Authors/Presenters	Title
O Boiral; **I Saizarbitoria**	*Biodiversity Management and Pura Vida*,
R. Byerly	*Eudaimonia, Well Being and The Pursuit of Sustainability*
G. Rands	*In Search of Ecologically Sustainable Organizations*
G. Antoine; **R. Santa**	*Beyond Mansions & Mega Malls: Pursuing Sustainable Construction in Saudi Arabia*
J. Mahon; **R. McGowan**	*Growing Older: Implications for Business and Society of an Ageing Worldwide Population:*
J. Weber	*Discovering the Millennials' Personal Values Orientation: A Meta-group and Within-group Analysis*:
D. Jimali; T. Jain	*A Human Development Perspective to Shared Value Creation*
N. Vidal; **S. Berman**; **H. Van Buren**	*The Impact of Identity Formation and Elements on Practices of Corporate Responsibility Coalitions*
M. Schwartz	*Ethical Decision-Making Theory: An Integrated Approach:*
J. Peifer; **A.L Winkler**	*Stakeholder Morality: A Review of the Moral Motives of Employees, Consumers and Shareholders*:
V. McSorley	*Understanding value constructions in employees: Towards a phenomenological approach*:
P.Dunn; **B. Sainty**	*The Role of Religion, Moral Philosophy, and Culture on Ethical Decision Making*:
Y. Fassin	*The Status of CSR and Sustainability Reporting at Universities in Europe:* A Survey
F. Figge	*Sustainable Option Value*
L. T. Christensen; **M. Morsing**; **O.Thyssen**	*License to Critique: Embracing the Duality of Sustainability Standards Within a Communication Framework*
M. Nobrega	*Corporate Social Performance Assessment: Stakeholder's Perspective on multidimensional and Systematic Approach*
Isabell S.; **C. Schimanski**	*Innovative Session: Neoliberalism versus De-growth in academia*
Andrew Crane, Bobby Banerjee, Tobias Hahn, Irene Henriques, Sandra Waddock	*Meet the Editors: Organization Studies, Organization & the Environment, Business & Society, Journal of Corporate Citizenship*
R. Brown	*The Establishment of Political Capability: The Case of AT&T, 2000-2012*
B. Comyns; **E. Franklin-Johnson**	*Rana Plaza as a Trigger for action - An analysis of the response by fast fashion retailers*
J. McLaughlin, **G. McLaughlin**	*Company Towns, Righteousness, and CSR: Lessons from Industrial Welfare in the Satanic Mills*
V. Soundarajan; J. Brown	*A Journey into a Complex World: An Institutional Perspective of Global Supply Chains and Working Conditions in Developing Countries*
C. VanSandt	*Corporate Scandals: Not an Issue of Ethics*
A. Powell	*Trying and Failing: Understanding Enactment Processes of Organizational Sustainability Commitments Through Unintended Decoupling*

M. Cummings	*Bar Associations as Influencers in the Negotiated Landscape of Social-Business Hybridization*
Authors/Presenters	**Title**
A. Naar; **R. Wokutch**; **N. McGehee**	*Organizational Structure and Public Private Partnerships in the Context of U.S. Sustainable Tourism Certification Program*
M Minciullo	*The Drivers of Sustainable Tourism in Italy*
T. Keane	*The Sin Industries: Shaping Virtue and Vice in U.S. Business and Society*
J. Farrar; **P. Dunn**; **C. Hausserman**	*The Role of Guilt on Taxpayer's Voluntary Disclosure to Self-Correct*
L. Ferri; M. Pedrini	*Balancing virtuous behaviors and competitive objectives*
J. MacDonald; **G. Antoine**; **M. Murphy**	*Social Media and Corruption in Shame vs. Guilt Cultures*
B. Agle, A. Arnaud, J.Peifer, B. Vaidyanathan	*Symposium: Putting Faith in Business*: **M. Murphy** (Facilitator)
M. Baucus	*Innovative Session: Pecha Kucha Peek into the Future: Cutting Edge B&S Research:*
V. Gerde	*As the NFL Goes, so Goes Business? The Question of Business' Responsibility in Domestic Violence Situations*
A. Mitra	*Pay Dispersion and Corporate Social Responsibility a Proposed Framework*
J. Jermier; H. Lin; **X. Wang**	*Beyond The Certification Model: Environmental and Human Resource Management Practices and Eudemonic Firms in China*
M. Connerly; **J. Strauss**	*A Review of Workplace Incivility and Bullying: Directions for Future Research*
M. Winn	*Cultivating knowledge across time and organizational boundaries: Sustainable food production and the Case of Barilla*
G. Desa; **S. Basu**	*Balancing Acts: Market Failure, Business Models, and the Pursuit of Pura Vida in Global Social Entrepreneurship*
M. Meyskens; R. Yang; C. Zheng; L. Hu	*Social Entrepreneurial Intentions: China vs. United States: Is there a Difference?*
S. Hai; D. Arenas	*When Change Must Happen: NGO's maintaining control in resettled fields*
M. Caddey; J. Grosvold; S. Pavelin	*Corporate Reputational Risk and Sustainable Supply Chain:*
H. Fairbairn; S. Pavelin; H. Hang	*A Conceptual Model*: *How does a social context affect reputation judgments of CSR?*
S. Brammer; L. Braniki	*Reputation Commons and Strategies for Reputation Repair: An Empirical Analysis of Global Banking Industry 2005 - 2014.*
S. Jain	*Beyond Principles Empirical Study of How Leading Corporations in India Operationalize CSR*
S. Deshpande	*Organizational Commitment in A Chinese Insurance Company*
D.K. Davidson; J. Yin	*Corporate Responsibility in China: A Contextual Exploration*
H. Van Buren	*Workshop: Religion as a Social Force*
L. Preuss	*Trace Measures in Business and Society Research*
S. Groschl; P. Gabaldon	*Motivational constructs of decision makers and their impact on firms's use of common pool resources*
A. S. Shantz	*Measuring Corporate Social Impact: A review*
R. Carroll, D. Primo, B.K. Richter	*Corporate Social and Financial Performance Revisited: On Measures, Methods, and Interpretations*
M. Carrington; B. Neville	*Whose responsibility is it? Reconsidering the ethical consumer sovereignty myth*

Friday, March 13, 2015

Author/Presenter	Title
J. Schrempf-Stirling; G. Palazzo; F. Morhart	*A Consumer-Centered Approach to Corporate Social Responsibility*
T. Hahn; N. Albert	*Reciprocity in Consumer Boycotts*
S. Pavelin; L. Porter	*Customer Preferences for localness in corporate philanthropy*
J. Brown; A. Ward; C. Clark	*The Aftermath of Failed Coups*
M. Goranova; L. Ryan	*The Shareholder Empowerment Debate: Examining Both Sides*
J. Griffin; A. Bryant	*Board Composition and CSR: Does a progressive board and proactive environmental CSR activities improve firm performance*
R. Burg	*Collective Commitment Through Inclusive Governance*
C. Shimanksi; I. Storsjo	*Do we need growth to improve well-being*?
B. Hatipoglu	*Exploring the NGO Collaborations in the context of quality of life improvements*
I. Sebastian	*Business Growth in Well-Being Economies: Insights from Bhutan's Gross National Happiness Economy and the UK's Well-Being Economics Policy Recommendations*
R. Barkemeyer; A. Gibson; G. Napolitano	*NGO- Business Relationships Over Time: Crowding Out Radical NGO's*:
N. Gardberg; S. Zyglidopoulos; P. Symeou	*Corporate Social Performance, Trust, Corporate Reputation and Corporate Financial Performance: Crossnational Study*
K. Maas; M. Scheltema; H. Thai	*Financial Effects UN Global Compact Non-Compliance*
R. Panwar; E. Nybakk; J. Pinkse; E. Hansen	*Competitive Strategies and Small Firms' Social Responsibility*
A. Cox; B. Litzky	*Capitalism: An Antidote to Poverty?*
J. B. Hamilton V. Hill, K. Credo	*Symposium: Pursuing La Pura Vida Academic Engagement with SME's*

Saturday, March 14, 2015

Authors/ Presenters	Title
J. Schrempf-Stirling; F. Wettstein	*Beyond guilty verdicts: Human Rights litigation and its impact on corporations' human rights policies*
K. Rehbein; T. Olsen; M. Westerman-Behaylo	*Business and Human Rights: Commitment vs. Practice*
L. Dhooge	*Public Accommodation Statutes and Sexual Orientation: Should there be an exemption for Secular Business?*
L. Preuss	*Definitions of Corporate Social Responsibility: Content, Range of Authors, Evolution over Time*
J. Thompson, D. Hart, J. Harris L. Walters	*Pura Vida and Governance*: A Conversation: **B. Agle (Facilitator) Participants:**
B. Banerjee, A. Crane, C. Figge, S. Waddock, J. Weber	*Symposium: A Dialogue about Corporate Social Responsibility: Effective Guidance or Rhetorical Tool:* **N. Kurland (Moderator)**
T. Ceranic; M. Peters	*The Seas of Change: Exploring The Impacts of a Semester at Sea on Students' Personal and Professional Growth*
C. Driscoll; M. McKee; S. Price	*Community Based Service Learning and Community Connectedness in a Business Ethics Course*
A. Willi	*Can Business Schools Be Bridge Builders? An experience between MBA Students and NGO Managers*
B. Litzky; K.Fadigan; W. Smith	*The Pursuit of Pura Vida in the Educational Experience*

Saturday, March 14, 2015

Authors/ Presenters	Title
D. Mazutis; C. Zintel	*Leadership and Sustainability: A systematic assessment of the empirical evidence*
K. Credo; S. Cox	*I Like You But You Don't Make Me Feel Safe: An examination of safety based ethics in the context of LMX and Mum*
C. Putnam Rankin; H. Van Buren	*Winning the Space: Contestation in the CSR Profession*
M. Murphy; L. Magzul	*Participatory Action Research for "Pura Vida" with the Toquaht Nation*
R. Dhall	*Multi-Stakeholder Collaborations: Facing a Sustainable Future, Together*
D. Arenas; M. Murphy, K. Jauregui	*Peruvian rural communities and mining companies: The role of social skill*:
C. Stutz	*Organizational Identity and Identity Orientation Towards Stakeholders: Construction of Organizational Narratives in Historical Context*
M. Greenwood; H. Van Buren, R.E. Freeman, R. Mitchell	*Reclaiming Stakeholder Theory as Relational: from shared value to stakeholder value*:
V. Vracheva; W. Judge	*The Enterprise Strategy of the Firm: Concept, Measurement and Validation*
J. Weber & C. Dunn	*Open Mike III: A forum for discussing how our teaching facilitates the pursuit of eudemonia in business and society*
K. Rehbein & M. Westermann-Behaylo	*IABS Workshop on Political Corporate Social Responsibility :*

Sunday March 15, 2015

Authors/ Presenters	Title
J. Mahon; R. McGowan	*Measuring Goodness: How do we assess the performance of charities?*
L. Sanz; M. Sauma	*Philanthropy and Social Investment: A Step Closer to Eudemonia*
S. Sachs; E.Rühli	*A Humanistic Approach of Firm's Value Creation Leading to Social Welfare*
D.K. Davidson; M. Pray	*Complementarity and CSR: Business and Society on a Neo-Freudian Couch*
T. Jain	*A Longitudinal Cross-Industry Analysis of Corporate Social Orientation*
S. Brammer; S. Berman	*Great Expectations: An Analysis of The Evolving Discourse and Practice of Corporate Social Responsibility*
S.P. Sethi; J. Rovenpor	*The Role of NGOs in Ameliorating Sweatshop-like Conditions in the Global Supply Chain*
L. Rodriguez; P. Lewellyn; D. Hazzard-Robinson	*Tri-Sector Collaborations in Small Communities: Not a Marriage Made in Heaven*
R. Suchowerska	*Applying "both/and" logic to understand the dynamics of social inclusion and exclusion at the hands of residential property developers in Australia*
L. Ryan	*Corporate Governance Workshop I*
I. Bogotch, M. Meyskens J. White, J. Paul	*Symposium: Virtual Classroom: Help or Hindrance for La Pura Vida*: **K.Paul (facilitator)**
L. Williams	*CARMA Research Methods Workshop 1*

Sunday March 15, 2015

Authors/ Presenters	Title
T. Keane; M. Stack, M. Gartland	*Global Eudemonia in less than 3000 Years*
A. Briseno; B. Husted	*The Diffusion of CSR Practices: Past Research and Future Directions*
D. Mayer	*Revisiting Donaldson and Dunfee's Structural Efficiency Hypernorm: The Rule of Law and the Hidden Moral Code of Traditional Capitalism*
C. Schimanski, K. Sveiby	*Symposium: Exchanging Research Ideas in Nhunggabarra Style:* **I. Storsjo (facilitator)**
L. Ryan	*Corporate Governance Workshop 2*
L. Williams	*CARMA: Research Methods Workshop 2*

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