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The IABS 2016 Proceedings contains 24 papers and other materials that were presented at the Twenty-Seventh Annual Conference of the International Association for Business and Society, held in Park City, Utah USA, June 16-19, 2016.

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

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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 **Business and Society at the Crossroads** are indicated as such on the first page of each article.

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

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Teaching and Learning

A Framework for Teaching the Goal of the Firm in Introductory Business Classes: Shareholder Wealth Maximization Ethicality and Classical Philosophical Paradigms

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Abstract: In many business textbooks and courses, particularly in finance curricula, students continue to be taught that the single goal of the firm is shareholder wealth maximization (SWM). Although this statement presents a clear and succinct goal, which adheres well to rational expectations and financial economic models, I argue it is over simplistic and may actually be detrimental to student learning and professional conduct. A strict adherence to the SWM goal has at least anecdotal evidence of cases in which business students act unethically after graduating. In this article I propose a framework that includes a discussion of four classical ethics camps vis-à-vis SWM in foundational business classes. I assume students have not yet had a philosophical or business ethics course and begin the discussion from the ground up.

Keywords: Goal of the Firm, Shareholder Wealth Maximization (SWM), Pedagogy, Philosophical Business Ethics, Stakeholder Theory

The crucial point is that managers of public companies do not own the businesses they run. They are employed by the firms' owners to maximize the long-term value of the owners' assets. Putting those assets to any other use is cheating the owners, and that is unethical. If a manager believes that the business he is working for is causing harm to society at large, the right thing to do is not to work for that business in the first place. Nothing obliges someone who believes that the tobacco industry is evil to work in that industry. But if someone accepts a salary to manage a tobacco business in the interests of its owners, he has an obligation to those owners. To flout that obligation is unethical. In addition, of course, managers ought to behave ethically as they pursue the proper business goal of maximizing owner value—and that puts real constraints on their actions.
– 1/20/2005 Economist (http://www.economist.com/node/3555286)

INTRODUCTION

Hawley (1991), in a fairly scathing article titled, "Business Ethics and Social Responsibility in Finance Instruction: An Abdication of Responsibility," argues the shareholder wealth maximization (SWM) goal of the firm as described in the opening *Economist* quote is overemphasized in finance textbooks to the detriment of students. After stating that SWM may be "a very effective tool for decision making," the author goes on to claim, "[I]t can also be used to rationalize the commission of unethical or socially irresponsible actions." Further stating, "Overemphasis on the SWM objective by some companies can lead to dangerous or disastrous consequences for consumers, employees, or the general population." Hawley (1991) examines 22 undergraduate and MBA finance textbooks and finds that SWM is virtually universal as the only goal of the firm presented or seriously considered.

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The Hawley (1991) article is a call to action. Despite the careful analysis and discussion the author provides, a survey of contemporaneous finance textbooks pertaining to the goal of the firm look remarkably like they did nearly three decades ago between 1988-1990 when the Hawley article was written. Many of the leading business and corporate finance books at both the undergraduate and graduate levels through the years state the goal of the firm simply as something akin to, "maximize shareholder wealth" (e.g., Ross, Westerfield, Jordan (2013), Keown, Martin, Petty, Scott (2005)). Consider just two examples from introductory finance texts.

Block and Hirt (2005, p. 12) state, "The broad goal of the firm can be brought into focus if we say the financial manager should attempt to *maximize the wealth of the firm's shareholders* through achieving the highest possible value of the firm. Shareholder wealth maximization is not a simple task, since the financial manager cannot directly control the firm's stock price, but can only act in a way that is consistent with the desires of the shareholders (italics and bold theirs)." Note how the authors, in the original text, use italics and bold to emphasize that SWM *is* the goal of the firm.

Levy (1998, p.24) states, "As indicated earlier, management operates the corporation for the stockholders. The only legitimate criterion in managerial decision making is stockholders' welfare, as measured by their wealth. The corporation's goal should be to maximize the stockholders' equity (the stock price times the number of outstanding shares), or simply maximizing the stock price." Note that Levy uses very strong terms, "the only legitimate criterion…" By this text, it is as if any discussion of any conditions under which SWM may not be ethical (i.e., not the right goal) is simply not worth considering.

My primary recommendation is that instructors should spend sufficient time discussing not only the SWM goal as a stated fact, but to do so within an ethical context of what conditions are necessary for SWM to be an ethical goal. The framework I suggest is using as a structure the four philosophical ethics camps of Deontology, Justice/Fairness Theory, Utilitarianism/Consequential Theory, and Virtue Ethics Theory. Inherently if students think about various conditions that make SWM ethical, they will include thinking about other stakeholders, not just shareholders. SWM can be argued as an ethical goal, but it must meet certain necessary (and sufficient) conditions to be such. These conditions vary depending on the philosophical camp which is used as the underpinning for the definition of ethical. As students contemplate the various ethics camps and how they apply to SWM, they can learn that SWM is not as obvious as is proposed (and assumed) in most finance (and other business) textbooks.

The intent of my paper is to add to the business (and particularly finance) ethics literature as it applies to the notion of teaching students that maximizing shareholder wealth is the ultimate goal of the firm. Given the work of Bernadi, Melton, Roberts, and Bean (2008), finance ethics research has lagged other management fields, specifically accounting and marketing, and perhaps others such as organizational behavior. Whereas accounting and marketing have seen significant increases in the number of articles discussing ethics in their disciplines, the field of finance has not (Bernadi, et al. (2008)).

The order of the paper is as follows: The next section consists of the literature review, beginning with the underpinnings of the shareholder wealth maximization (SWM) goal. I next discuss SWM

under each of the ethics schools of thought in the context of student instruction. The final section includes discussion for implementing the ethics framework and then summarizes and concludes.

LITERATURE REVIEW

The Stakeholder versus Shareholder Dilemma

The version taught to introductory business students of the shareholder maximization goal seems to have been significantly advanced through the efforts of Berle (1931, 1932) and was probably solidified as Stewart (2011) argues, "With the success of Manne's (1964) perspective, the shareholder wealth maximization norm was born, firmly defining the interest of shareholders and planting the seeds for the financialization of the firm." Manne, through a series of articles (Manne 1959, 1961, 1962a, 1962b, 1964, and 1965) argued for the efficacy of Berle's early logic for the shareholder primacy theory of the firm. For example, in his 1931 *Harvard Law Review* article, Berle suggested that corporations should maximize benefits for shareholders. Under Berle's perspective, managers only consider the interest of all stakeholders inasmuch as these interests maximize the wealth of the shareholders.

In 1919, Ford Motor Company was brought to court by minority shareholders to decide whether the company could continue to operate in the charitable manner Henry Ford had implemented. Ford, the majority shareholder, proclaimed in 1916:
My ambition is to employ still more men, to spread the benefits of this industrial system to the greatest possible number, to help them build up their lives and their homes. To do this we are putting the greatest share of our profits back in the business (Ford & Miller, 1922).

The court concluded:
A business corporation is organized and carried on primarily for the profit of the stockholders. The powers of the directors are to be employed for that end. The discretion of directors is to be exercised in the choice of means to attain that end, and does not extend to a change in the end itself, to the reduction of profits, or to the non-distribution of profits among stockholders in order to devote them to other purposes (Ford & Miller, 1922).

The Dodge v. Ford Motor Company is an important legal case in the context of SWM because it is the initial case to rule in favor of shareholder primacy. However, several years after the court ruled on the Dodge v. Ford Motor Company case, researchers began developing stakeholder theory. Under the paradigm of the stakeholder theory the goal of maximizing shareholder wealth is challenged. Stakeholder theory argues that other stakeholders have a vested interest in what firms do (and what they should be doing) as well and should be considered directly in the goal of the firm. For example, a year after Berle (1931), Dodd (1932), also in the *Harvard Law Review*, challenged the goal of shareholder maximization and stated that, in addition to shareholder interest, corporations should consider the interest of the organization's workers, consumers, suppliers, and society as a whole in the decision-making process. Dodd held the belief that organizations have a responsibility to all stakeholders of an organization, not just shareholders. This perspective was supported by a number of prominent business leaders. For example, Henry Ford also stated, "For a long time people believed that the only purpose of industry was to make a profit. They are wrong. Its purpose is to serve the general welfare (Donaldson, 1982)."

The case Schlensky v. Wrigley, 1968, acknowledges the changing perspectives from SWM to stakeholder theory. However, the court concluded the president had a right to make decisions that were not in accordance with what the stakeholders desired as long as the decision was not, "…fraud[ulant], illeg[al], or conflict of interest (Schlensky v. Wrigley, 1968)."

In 1970, one of the most influential economists of the 20th century, Nobel laureate Milton Friedman, reiterated Berle's perspective and the Dodge v. Ford decision that organizations have the sole responsibility to provide financial gain for the organization's shareholders and suggested that, "The social responsibility of business is to increase its (the organization's) profits." (For the purpose of this article ethics and social responsibility are considered under the same umbrella, although it is recognized these can be two different concepts.) Under Friedman's assumption, the executives of an organization are the employees of the shareholders. As such, employees have the fiduciary responsibility to make as much money as possible for the owners of the firm. (An underlying assumption of Friedman's argument is that while businesses should maximize their profits, they must still obey the legal rules and ethical customs of society.) Friedman states:
There is one and only one social responsibility of business—to use its resources and engage in activities designed to increase its profits 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 (Friedman, 1970).

It seems the very large majority of finance textbooks agree wholeheartedly with Friedman's assertion above. For example, Keown, et al. (2005) argue that:
Not only will this goal [shareholder maximization] be in the best interest of the shareholders, but it will also provide the most benefits to society. This will come about as scarce resources are directed to the most productive use by businesses competing to create wealth (p. 4).

My concern is that teaching introductory business students should be more careful and more nuanced than simply adhering to the logic of Friedman (1970) or Jensen (2001, 2002). For example, other articles such as Mitchell, Weaver, Agle, Bailey, and Carlson (2015) argue for pluralism and multi-objective corporations. If students are not properly taught to think about a more complex goal of the firm, then the ethical breach concerns of Hawley (1991) may be a result of strict acceptance of and adherence to SWM. Such ethical breaches can be seen in the Enron and Worldcom frauds, for example.

The Pricing of Ethics and the Firm as a Conduit of Ethics

Students should recognize that the discussion itself on whether or when SWM is an ethical goal presupposes that a firm goal *can* reflect an ethical stance in the first place. Prior to discussing the various ethics traditions, it is instructive to consider this notion of whether a firm can be ethical or not. In an article that does just this, Chambers and Lacey (1996) first state what they perceive is a problem with the interpretation of SWM:
An unfortunate theme of the stakeholder approach is that the traditional view of shareholder wealth maximization (SWM) is inconsistent with ethical behavior. It is often suggested or concluded that people's desire for money in general and shareholders' wealth maximization in particular are in direct opposition to ethical concepts such as honesty, fairness, and the good of society (Chambers and Lacey, 1996).

In addressing this line of reason, Chambers and Lacey's argument is that firms themselves do not serve as a determinant of ethics, but rather as a conduit of ethics. Relying on financial economics, they argue that if investors care about ethics, then they *price* ethics into the stock price, just as they would with any attribute of a stock they desire. The logic goes that if society (investors) feel that a firm is acting unethically, they will not invest in that firm, and as such, the stock price will fall (i.e., ethics are priced). In order for management to maximize shareholder value then, they need to act ethically (as defined by potential investors) so the perceived firm's "lack of ethics" as judged by the investors does not discount the stock price. Thus, the goal of SWM serves as a mirror that reflects the ethics of investors instead of a source of ethics in and of itself.

A counterpoint to their own argument is that perhaps shareholders choose not to act ethically in their investment decisions. If this is the case, then the conduit of the firm to price ethics may be turned on its head. Considering such a concern, Chambers and Lacey (1996) continue:

Another important implication or aspect of economic laws is their ability to provide incentives for shareholders to behave according to the ethical standards of the product market participants. In other words, even if the shareholders do not care about behaving ethically, the behavior of consumers and other product market participants can provide incentives for the shareholders to act as if they cared about the issue…Thus, many product markets reflect value that depends on reputation. The objective of shareholder wealth maximization can force firms operating in these markets to behave as if they cared about ethical standards.

Using the logic of Chambers and Lacey (1996), markets may be able to provide two critical functions – one on investors and one on firms. The first mechanism is that product market participants may impose ethics on shareholders so shareholders act in accordance with those ethics. The second mechanism is that the concern for the pricing of firm reputation capital gives firms incentives to act ethically so their share prices do not suffer.

Providing some degree of evidence for Chambers and Lacey (1996), Rao and Hamilton (1996) offer an example of how ethics (in this case unethical behavior) is priced by the market (with stock price decreases). Roa and Hamilton use event study methods to test five categories of unethical behavior: Bribery, scandals, white collar crime, illegal payment, employee discrimination, air pollution, water pollution, environmental cleanup, pollution, insider trading, and business ethics.

Combining all 58 events, Roa and Hamilton find an 11-day cumulative abnormal return around *Wall Street Journal* announcements of -14.84% and an event single-day return of -5.67%. Roa and Hamilton go on to show persistent negative abnormal monthly returns for five months after the announcement. Roa and Hamilton do not perform regressions on the abnormal returns to determine if any of the five unethical behavior categories have specific impact on stock price. The conclusion of the article is that shareholders do price ethics—at least what is perceived as breaches of ethical behavior.

In a more general analysis of ethical firm behavior and SWM, Roman, Hayibor, and Agle (1999) provide an analysis of the literature between the correlation (if any) of corporate social performance (CSP) and corporate financial performance (CFP). In this case, CSP can be seen as a proxy for perceived ethics and CFP can be viewed as a measure of SWM. Roman et al. (1999) reconstruct the

work of Griffin and Mahan (1997) who determined that of 62 research results in 51 articles, 33 show positive correlations between CSP and CFP, 20 show negative correlation and 9 show insignificant correlation. Roman et al. (1999) reclassify these 62 results and update the dataset of articles to conclude that most studies show either a positive relationship or no relationship between CSP and CFP. Although loose in interpretation for the pricing of ethics, this meta-analysis indicates that many studies show a positive pricing of ethics.

Along with the pricing of ethics in stock prices, Chambers and Lacey (1996) also argue in support of SWM using a markets argument:
The reason that shareholders are not unanimous with regard to ethical issues is the existence of corner point solutions. For example, politically conservative shareholders will not view a contribution to a liberal organization as being attractive even if their personal contribution level to the organization is reduced to zero. It is generally not possible for the shareholders to hedge the corporate donation by short selling goodwill generated by the donation. In other words, conservative shareholders generally can not sell this "commodity" (goodwill) to liberals who would enjoy it.

In the absence of well-functioning markets in which shareholders can buy and sell claims related to ethical issues, a strong efficiency argument can be made that everyone is at least as well off or better off if the financial manager of the corporation maximizes shareholder wealth and therefore allows shareholders to best maximize their private and social utility functions. In other words, the money should be passed through to the shareholders and then they can donate to the causes of their choice.

The above quotation is an example of the defense of SWM as an ethical matter. The statement that "everyone is at least as well off or better," rings of an ethical argument for social justice and the statement "to best maximize their private and social utility functions," also rings of obtaining a degree of optimality. In the subsequent section, I formerly discuss the goal of SWM within the framework of student understanding of four major ethics traditions in an effort to carefully think about not if, but when SWM may be an ethical firm goal.

PHILOSOPHICAL ETHICS TRADITIONS AND SHAREHOLDER WEALTH MAXIMIZATION

To begin the presentation of the SWM objective in introductory business classes, introducing students to the four ethics camps of Deontology, Justice/Fairness Theory, Utilitarianism/Consequential Theory, and Virtue Ethics Theory can provide a framework for carefully thinking about SWM as an ethical goal. The differences between the various theoretical camps are not trivial, in that moral philosophers have debated ethics for literally thousands of years. As it may be too strong of an assumption to assume that introductory business students have already taken an ethics or philosophy class, it may be best to discuss and motivate each ethical camp along with covering the SWM in the context of each camp. In general, trying to measure and define ethics in business and finance is a fundamentally tricky exercise.

For example, to operationalize a definition of (un)ethical behavior, in their study of earnings management in seasoned equity offerings, Jo and Kim (2008) state:

In this article, we define unethical firms as firms that manipulate their earnings aggressively. (Schipper (1989) defines earnings management as "purposeful intervention in the external reporting process, with the intent of obtaining some private gain to managers or shareholders." Healey and Wahlen (1999) define earnings management as follows: Earnings management occurs when managers use judgment in financial reporting and in structuring transactions to alter financial reports to either mislead some stakeholders about the underlying economic performance of the company, or to influence contractual outcomes that depend on the reported accounting numbers.) Similarly, we define ethical firms as firms choosing ethical reporting, i.e., conservative earnings management.

Jo and Kim (2008) proceed to use the method of Kothari et al. (2005) to construct discretionary accruals and then use this variable to (subjectively) determine ethical or unethical levels of earnings smoothing. It is important to note that IFRS and GAAP permit income smoothing through revenue and expense recognition rules. That is, typically firms that manage earnings are acting completely within the law. Whereas Jo and Kim (2008) use the Kothari et al. (2005) method to define ethical and unethical firms, many other studies in accounting and finance use the exact method, or very similar methods, to compute strategically determined "aggressive" or "conservative" levels of earnings management. Within the accounting and finance mainline journals, managing earnings is rarely, if ever, considered unethical until it has crossed the law and has become illegal (see e.g., Brau and Johnson, 2009). Thus, thinking about ethics in the finance paradigm requires a framework, or the definition and operationalization of ethics becomes purely a subjective exercise. SWM can be presented to students using the four following classic camps of philosophy to form that framework.

The Four Ethical Camps

The discussion below is designed as a primer for students who have not taken a philosophical ethics or business ethics class. It introduces four classical ethics camps and when the goal of SWM can be ethical under each camp.

Normative Deontology

Under the school of thought of Deontology, right and wrong is defined by a sense of duty. To be ethical, one must act in a way that is intrinsically right or wrong, based on duty, without thought of consequence. The definition of right and wrong is based upon conforming to a moral norm. Perhaps the greatest deontologist, Immanuel Kant, stressed that humanity is the ends and is not to be treated as the means.

Carreira, Guedes, and Aleixo (2008) explain deontology as:
Reflecting upon rules is what is called "deontology", which comes from the conjugation of the Greek words "*déon* , *déontos* ", which mean duty, and "*lógos* ", that means speech or treaty. Under this perspective, deontology would be the treaty of the duty or the set of duties, principles and norms adopted by a specific professional group. It is a normative subject that deals with the duties that must be followed in specific social circumstances within a specific profession. Deontology is therefore the science that sets the guiding norms of professional activities under the sign of morality and honesty. Professional deontology systematically elaborates the ideals and the norms that should guide professional activity.

One can imagine under SWM, a professional norm may be that management holds a fiduciary responsibility (duty) to the shareholder. Indeed, given the fact that SWM is overwhelmingly the goal taught to both undergraduate and MBA students, it seems very plausible that many finance professionals (and others) will view SWM as the social norm. In such cases, Deontology would argue that the manager has the absolute duty to do everything within his or her means to benefit the shareholder. Logic such as that used in the opening *Economist* quote of this article appeal to Deontology. Shareholders are seen as the people who are to be represented at all costs from Kant's point of view.

Of course, the crux of using Deontology to support SWM is the underlying assumption that management's duty is to the shareholder. If one makes an alternative assumption, that management's duty should really be directed towards all stakeholders, society, herself, or some other fiduciary, then Deontology does not support SWM anymore. Extending the *Economist* example from the introduction, let's say, a manager of a tobacco firm feels a fiduciary responsibility to humanity to decrease the number of smokers. In an attempt to decrease the number of smokers, he or she may purposely break or delay a cigarette manufacturing facility. As a result, the share price of the firm may go down hurting shareholders (clearly against SWM), but the manager's actions may make it more difficult for some people to smoke, thus relieving them of the health hazards of smoking. In this case, Deontology, in a strict sense, would not support SWM. Under Deontology, the outcome of shareholders losing money or people smoking less is actually irrelevant – the consequences are not the determining factor. The determining factor is that management honors his or her duty.

To decide between strict SWM and some other goal as being justified by Deontology, one must agree on the appropriate "moral norm." By definition though, a moral norm is not necessarily a fixed law that every market participant agrees with. Students should understand that the necessary and sufficient condition for SWM to be deemed ethical under the Deontology framework is that the moral norm defines management as holding a fiduciary responsibility (duty) strictly to the shareholder. If the duty of management is placed anywhere else, wholly or partly, then SWM would be deemed unethical if management duty was not exercised in those areas.

Adhering to Deontology, the Carreira et al. (2008) study provides evidence that individual's ethical behavior can be increased by ethics and Deontological education. (See Cagle and Baucus (2006) for another example of education promoting personal finance ethics and Cagle, Glasgo, and Holmes (2008) for an example of ethics education changing student perceptions of business ethics.) Concerning the cognitive dimension of attitude towards ethics, the subject of ethics and professional deontology strengthened the answers to the questions with lower scores [of ethical behavior]. Concerning the affective/assessing attitude of ethics, the subject of ethics and professional deontology strengthened the students' convictions about the importance of the existence of a deontological code, of ethical principles and of accounting information, as well as the question with the lowest score (the entity's interest is more important (Carreira et al. (2008)).

Under Deontology, these respondents adhered more towards social norms that the authors considered ethical. Herein lies another caveat to the evaluation of SWM as ethical. Not only must the fiduciary be established, as discussed above, but the social norm must be agreed upon to determine ethicality. If alumni of finance programs who follow the school of Berle (1931), Manne (1959), and Friedman (1970) strongly feel that SWM is the appropriate social norm for the goal of

the firm, but other students trained under the school of thought of Dodd (1932) and more modern-day CSR advocates support a stakeholder social norm, the ethicality of SWM again becomes contingent. This contingency, based on the selection or belief in a specific social norm, determines deontological ethicality of the SWM paradigm.

Survey data of DeLoughy, Jin, and Drozdenko (2011) from 680 respondents offers some evidence of finance professionals' views of norms as they pertain to CSR and shareholder value. The authors point out that nearly 80% of finance professionals agree that firms "have a social responsibility beyond their interests of the shareholders, with only 4.8% not concurring." This result suggests that a norm other than strict SWM seems to exist in practice. However, the next question, "The socially responsible manager must occasionally place the interests of society over the interests of the company," only receives 40% concurring with 21.8% not concurring and the remaining neutral. This latter question seems to suggest that the SWM goal continues to be persuasive when finance professionals must choose directly between shareholder wealth and social responsibility. This survey data seems to indicate that agreement upon the social norm of the intent of the firm is not very universal and as such, the deontological framework of ethics becomes vague as firm managers have ambiguity as to who their fiduciaries are and to whom they should be duty-bound. Such an idea may promote healthy debate among students.

Justice/Fairness Theory

Based on the work of Rawls (1971), in societies with sufficient surplus (such as one with profitable corporations), it is argued that surplus should be allocated to individuals within society. The Justice Theory argues for the optimal way to distribute this surplus. It is based on two primary principles: 1) "each person is to have an equal right to the most extensive scheme of basic liberties compatible with a similar scheme of liberties for others," and 2) "social and economic inequalities are to be arranged so that they are both reasonably expected to be to everyone's advantage, and attached to offices and positions open to all (Rawls, 1971)." Similar to Utilitarianism, discussed below, Justice Theory believes in using corporate surplus to benefit society directly, but unlike Utilitarianism, Justice Theory prescribes a specific prescriptive path on how to allocate the surplus.

Under the Justice Theory paradigm, students can discuss if SWM is inherently unethical in that the surplus of corporations go to the shareholders, as they are the residual claimants. The shareholders themselves then decide what they prefer to do with the surplus. Surplus is not allocated through the Rawls' (1971) system of justice. Perhaps the only way SWM is ethical under Justice Theory is if shareholders take all surplus and allocate it through society according to Rawls' (1971) method. Of course this is highly unlikely in practice, as shareholders all have their own unique utility functions and for 100% of shareholders to follow the Justice paradigm is not a practical assumption. Students may debate about fundamental assumptions of human nature as related to Justice Theory and conclude for themselves if this philosophical camp adheres to their own vision of the business world.

Utilitarianism Theory

Utilitarianism falls under a class of ethics known as consequentialist theories. For the Utilitarian, ethicality is based on the end result, or consequence, of each action. The key to Utilitarianism is the

basis of a Pareto Optimum, that is, maximizing society's benefit (good) while minimizing costs (bad). There are various types of Utilitarianism such as hedonistic, preference, act, and rule based utilitarianism. Within the umbrella of Utilitarianism though, is the idea that: 1) it is the consequence of a decision that matters and 2) decisions should be made to maximize the benefit (and minimize the cost) to society.

The framework of Utilitarianism becomes both a philosophical and empirical matter to determine if SWM is the mechanism that provides the greatest good for society at the lowest cost (bad). For example, Jensen (2002) and Friedman (1970) both argue that SWM is the optimal mechanism to meet Utilitarianistic goals in society. However, Jones and Felps (2013a, 2013b) argue the opposite.

Jones and Felps (2013a) actually title their paper, "Shareholder Wealth Maximization and Social Welfare: A Utilitarian Critique." The intent of Jones and Felps is to argue that SWM "is not a good way to promote social welfare." Indeed they conclude, "By casting serious doubt on one of market capitalism's most entrenched institutions – shareholder wealth maximization – we hope to alter that way of thinking." The approach of Jones and Felps (2013a) is the closest to this current paper in that they consider SWM under an ethical camp – utilitarianism. It differs however in that their purpose is to attack SWM and my purpose is to illustrate what conditions are necessary for SWM to be considered ethical in a pedagogical framework. Having said this, Jones and Felps provide a very thorough and thoughtful critique of SWM. In their analysis, they are careful to make a distinction between act and rule utilitarianism (the two in their study).

Act utilitarianism instructs the agent to make the decision that results in the greatest net social benefit *with respect to the decision at hand*. *Rule* utilitarianism, on the other hand, directs the agent to follow rules that are intended to produce the greatest net social benefit *over time* (Jones and Felps, 2013a, p. 212, italics theirs).

They go on to provide a hypothetical that if a defense attorney knows that her client is guilty of murder, under Act Utilitarianism, she may provide a weak defense or no defense at all to get the murderer off the street. In this case, it benefits society the most with the decision at hand. Under Rule Utilitarianism however, she should vigorously defend the murderer for acquittal to uphold the criminal justice system which is intended to produce optimal legal outcomes over time. Jones and Felps (2013a) cite prior literature on SWM and conclude that SWM is a rule-utilitarian part of the capitalist system designed to provide long-term social benefits.

Having set the stage under a rules-based utilitarian system, Jones and Felps examine the logic of going from SWM to social welfare improvement, and argue that the logic flow is flawed:
In summary, four conclusions are relevant: (1) many markets are not sufficiently competitive, (2) maximizing shareholder wealth is not always the best way to achieve firm efficiency, (3) increases in efficiency may not increase aggregate economic welfare, and (4) greater economic welfare is only weakly linked to greater human happiness. The theoretical chain connecting SWM to improved social welfare has substantial weaknesses at every link (Jones and Felps, 2013a, p 224).

In their own way, Jones and Felps (2013a) outline when (the necessary and sufficient conditions) SWM is ethical under a utilitarian framework. Given efficient (or mostly efficient markets), situations where SWM achieves firm efficiency, contexts where increased firm efficiency does increase

economic welfare, and in cases where greater economic welfare helps promote human happiness, then SWM is an ethical goal. Jones and Felps argue that all four of these situations must be in place and if more than one does not hold, the problem becomes multiplicatively worse. Students may participate in a robust discussion between the Jones and Felps camp and the Friedman and Jensen camp as it applies to the utilitarian framework as they consider the efficacy and ethicality of SWM.

Virtue Ethics

Derived from the work of Aristotle, Virtue Ethic Theory argues that ethics depends on the character traits (virtues) of the people making decisions (agents). The decision for action then is not measured by an allegiance to duty of a moral norm (Deontological), an appeal to fairness of surplus allocation (Justice Theory), or the societal outcome (Utilitarianism), but instead from an internal virtue within the person deciding on the action. The underlying assumption of Virtue Ethics is that agents either intrinsically have or can develop virtuous character traits and avoid negative character traits. Any positive character trait can be claimed with the Virtue Ethics tradition and moral education is seen as a path to help people become more ethical. As virtues increase, ethics increase.

A thorough presentation of the rationale underlying Virtue Ethics is provided in a series of scholarly articles that John Dobson published in the *Financial Analyst's Journal*. His first piece printed in 1993 is titled, "The Role of Ethics in Finance." The second article printed in 1997 is titled, "Ethics in Finance II." His third article in this thread, printed in 1999, is closest to our study and is titled, "Is Shareholder Wealth Maximization Immoral? (Dobson 1993, 1997a, 1999)."

Dobson (1993) speaks more generally about ethics vis-à-vis the field of finance than limiting to the goal of the firm. The sentiment of the paper, however, can be directly applied to the goal of the firm. Dobson (1993) states, "Contemporary financial economists view ethics in the context of objective wealth maximization. In this context, ethics functions primarily as a constraint on behavior." He goes on to argue that the logic driving the wealth maximization objective, and the ethics constraint, has serious problems. Defining ethics as the motivation for what people do, and not necessarily the actions that people take, Dobson argues that one can judge an individual only if his or her motivations are known and not by observing actions. Dobson goes on to argue that the goal of the firm should be the opposite of Friedman's (1970) view (that ethics is a constraint and profits are the endgame) in that, "If financial theory recognizes ethical motivations, these motivations will be implicitly condoned. The accumulation of external goods, namely wealth, will then be viewed as merely a means to the ultimate end of achieving internal goods, namely respect and integrity." In essence, Dobson (1993) is a plea for finance practitioners to set the real goal of finance to be gaining "respect and integrity." Dobson argues that "throughout the 2000-year history of moral philosophy, ethics has generally been viewed as a behavioral motivation, not as a constraint." Extending this logic to the goal of the firm, SWM is thus seen as a means to achieve the true goal of the firm – acquisition and maintenance of respect and integrity.
In Dobson (1997a), he reiterates that, "Ethics becomes an ideal or an excellence to be pursued as an ultimate objective." This follow-on article to the 1993 piece seeks to clarify the earlier arguments. Dobson (1997a) appeals to virtue-ethics theory as the primary driver for a finance professional. The virtue-ethics theory stresses personal virtue and the quest for "moral excellence as a goal in and of itself." From Dobson (1997a):

Virtue ethics is concerned with pursuing a certain type of morally inclusive "excellence." In The *Nicomachean* Ethics, Aristotle called it *eudaimonia*, which can be roughly translated as happiness or human flourishing through moral excellence. For present purposes, this approach to ethics can be thought of as exhibiting four basic attributes. Its primary attribute is a strong emphasis on the importance of certain generally accepted virtues of character; indeed, through honing and perfecting these virtues, an individual becomes truly ethical. Second, strong emphasis is placed on the existence of an active community that nurtures these virtues. Third, virtue-ethics theory makes clear that in the moral life, one cannot rely merely on rules or guidelines; in addition, an ability to exercise sound moral judgment is requisite. Finally, the successful identification and emulation of moral exemplars or role models is essential for the dissemination of morality within the nurturing community.

Dobson (1997a) expands and applies this framework of virtue ethics to finance professionals. The paper does not fully develop the correlation of virtue-ethics theory and the goal of the firm. That is, SWM could be either ethical or non-ethical based upon why individuals do what they do in the firm. If one manager maximizes shareholder wealth because: 1) she has the positive virtues of loyalty, diligence, and hard work; 2) she feels inside like she is representing an active community of shareholders who are depending on her to fund their retirements, kid's college funds, medical costs, etc.; 3) she exercises sound moral judgment in her fiduciary responsibility to her ultimate bosses (i.e., these same shareholders); and 4) she not only models herself after highly ethical role models, but serves as an excellent role model herself in her community, then by Dobson (1997a), this manager is acting ethically by maximizing shareholder wealth. On the other hand, if the same manager instead does the identical actions, but her goal is to simply enrich herself and not the four steps above, then she would be acting unethically. In the latter case, the goal of shareholder maximization would be seen as unethical under the virtue-ethics paradigm.

Dobson (1997b) is an entire book dedicated to the topic of finance ethics and is titled, *Finance Ethics: The Rationality of Virtue*. As the title suggests, Dobson relies heavily on virtue-ethics theory to motivate his arguments in this book, very similar to his 1997 *Financial Analyst Journal* discussed above. He expounds on Dobson (1997a) considerably through the rational expectations paradigm of economics and arguing for the rationality of the virtue ethics paradigm. From Dobson (1997b):
This approach [to modeling rational behavior in finance] does not attempt to add on ethics as some form of appendage or constraint to the existing theory; rather it goes right to the heart of the theory: to the finance paradigm's very notion of rationality. I draw on the moral philosophy of virtue ethics to provide an alternative rationality premise for financial economics. This alternative premise brings notions of ethical behavior within the rationality rubric. Thus, such action as 'honoring trust' become rational in and of themselves, and do not have to be justified in material terms.

In his book, Dobson focuses on the definition of a firm and how the firm is viewed from an economical vis-à-vis an ethical perspective. He motivates the book with the SWM theory in the opening paragraph of the introduction and then immediately challenges SWM in the second paragraph with potential alternative goals of the firm. Dobson argues that the fields of business ethics and financial economics ask similar questions as to the purpose of the firm, but "Even the most cursory review of their respective literatures, however, will reveal that they tend to do so from distinctly different perspectives." The bulk of the book is therefore Dobson's attempt to bridge this gap, by proposing the rationality (i.e., financial economics) of virtue ethics (i.e., business ethics).

Because of sufficient confusion left from Dobson (1993) and Dobson (1997a), Dobson tackles the issue of the SWM head on in Dobson (1999). He argues that shareholder maximization is not amoral (neutral) or immoral (bad). After dismissing shareholder maximization as amoral or immoral, he sets out an argument for under what conditions the SWM goal may be "moral," which is the answer to the article title, "Is Shareholder Wealth Maximization Immoral." His argument is based on his earlier articles, particularly on virtue ethics. He states:

In accepting shareholder wealth maximization as the objective, however, business professionals should not abrogate all moral common sense. As a version of might makes right, shareholder wealth maximization clearly needs tempering, which is where the character and judgment of the manager comes in…. In exercising the judgment necessary to answer such questions, ethical character traits, virtues, are essential – virtues such as prudence, courage, wisdom, and compassion. Only through sound moral judgment on the part of individual managers can the organizational premise of shareholder wealth maximization be morally justified.

This quote is the crux of the article. In fact, Dobson footnotes the second to the last sentence in this paper with a note to "See my 1993 and 1997 articles." Dobson's (1999) extends his earlier paper's assertion that it is not revealed preferences that indicate ethics, but the motivation of the manager which indicates ethics, and as such, it is individual-specific to the manager on whether the goal of SWM is moral or not.

The articles by Dobson can vitally contribute to class discussion on the ethicality of SWM as the goal of the firm. For example, students could debate if Dobson's logic for his 1999 article suffers from the same critique as the 1997 article that we discuss above in that the goal of SWM is a behavior that we question, as a mantra taught in many finance classes, and not the motivation behind the behavior. In addition, discussion of Zingales (2015), could lead to student interaction about what conditions must exist for SWM to benefit society better than some other alternative goal.

IMPLEMENTATION OF THE FOUR ETHICAL CAMPS AND SWM IN THE BUSINESS CLASS

Having discussed a brief history of SWM and how it has traditionally been taught in business (especially finance) classes, four classical ethics camps, and the conditions under which they motivate SWM as an ethical goal of the firm I now discuss application of the framework in business courses. As the goal of the firm is a central element of any business class, a statement in the syllabus encouraging students to think throughout the semester how they can apply these ethical paradigms to the goal of the firm may be warranted. For example, in a finance class, there may be a statement in the syllabus such as:

In this class we will learn how financial managers make decisions as to what assets to buy for the firm and the best ways to finance these investments. As you learn these finance skills, think about how they contribute to the goal of the firm and how ethics informs these management decisions. If the goal of the firm is to maximize shareholder wealth, think about under what conditions the particular financial skill you are learning can fit within, or outside, various ethical paradigms such as utilitarianism, deontology, justice, and virtue ethics.

Such a statement in the syllabus could help students to not blindly accept SWM as "[t]he only legitimate criterion in managerial decision making is stockholders' welfare, as measured by their wealth" (Levy, 1998) as quoted in the introduction. If the goal of the firm is discussed in the first or second class period, to include the four ethics paradigms, students have a framework for thinking about SWM (or alternative goals) for the remainder of the semester.

Each lecture during the course, professors can apply the concepts of this article into student discussion. For example, a supply chain professor who is teaching about the pros and cons of offshoring labor can encourage a discussion of under what conditions is this an ethical supply chain to maximize shareholder wealth? Students may bring up topics such as how direct foreign investment helps workers out of poverty in impoverished countries. Others may discuss how child labor laws are not enforced in some economies and how children work in horrible conditions for virtually no pay. Professors may lead discussions about a business decision being legal versus being ethical. By considering more than one ethical camp, such as the four discussed in this article, students have a framework of how to define ethical behavior. Professors can use the four ethics camps of Deontology, Justice/Fairness Theory, Utilitarianism/Consequential Theory, and Virtue Ethics Theory as the framework for teaching students how to think carefully about the goal of the firm.

Instructors can test the knowledge and thought process of students through short answer or essay questions. Instead of multiple choice questions simply asking: "What is the goal of the firm?" and one of the choices being, "To maximize shareholder wealth;" students could be asked to, "Write a concise essay on under which conditions SWM is an ethical goal using the four philosophical camps of Deontology, Justice, Utilitarianism, and Virtue Ethics." Students who can carefully think through these types of thought questions pertaining to the goal of the firm in a traditional business class (and not just in their business ethics course) may be better prepared to face the real world of business after graduating.

SUMMARY AND CONCLUSION

For decades, introductory business students have been taught in business (and particularly finance) textbooks that the goal of the firm is simply "to maximize shareholder wealth." This goal, abbreviated SWM, may actually lead to unethical behavior if taken to the extreme. In this article, I provide a framework on how to think about SWM using four classical philosophy camps and how to potentially discuss it with students when teaching the goal of the firm.

Assuming these students have little or no philosophical ethics training, I appeal to the four main camps of ethics: Deontology, Justice/Fairness Theory, Utilitarianism/Consequential Theory, and Virtue Ethics Theory, at foundational levels. Table 1 summarizes the ethics camps and illustrates how they relate to SWM. This table could be used in class as a concise slide to explain the relationship between SWM and the four ethics camps. If a more thorough coverage is desired, students could be assigned to read this article as part of class readings.

Discussing the caveats of each camp may provide a framework for students to not blindly accept SWM as the only and best corporate goal. In fact, the answer to the question of whether SWM is an ethical goal of the firm depends on the underlying school of ethics the person in judgment accepts.

Except under very specific conditions, students may discover that SWM can be seen as an unethical goal of the firm. However, in some settings, SWM can be the ethical approach for the goal of the firm. It is these underlying assumptions and predispositions that have driven the literature for and against SWM. The work of Berle, Mann, and Friedman represents the work of authors who lived in an ethical paradigm, informed mostly by economics, which support their arguments in favor of SWM. Most authors of finance textbooks rely on this same logic to teach modern-day undergraduates and MBAs in their finance classes that the goal of the firm is "to maximize shareholder wealth" complete with italicized and bolded fonts.

Those who disagree with the SWM goal and argue for its unethicality, approach the question from different paradigms. Their underlying assumptions and views of the fundamental framework from ethics allow them to argue against SWM with strong and clever cases. As analyzed in this article, both sides of the argument may be right, and both may be wrong, depending on what core assumptions are made pertaining to duty, fiduciaries, norms, and which school of ethics to accept. In-class discussions of these assumptions have the promise to address the concerns of Hawley (1991) and others that the nearly universal goal in business/finance texts of SWM may incorrectly motivate business school graduates to act unethically to maximize shareholder wealth, as seen in cases such as Enron and Worldcom.

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Table 1. Panel A. A Summary of Four Major Ethic Traditions

Deontology
Focuses on actions, does not waver according to situations.
Certain acts are intrinsically right or wrong.
The goal is honor one's duty.
Justice/Fairness
Focuses on allocation of surplus.
The goal is to allocate surplus to society in the optimal manner.
Utilitarianism/Consequentialism
Focuses on the ends rather than the means.
The goal is to maximize society good (or minimize society bad)
Virtue Ethics
Focuses on the intrinsic virtues of the individual.
The goal is to develop and act on positive character traits.

Table 1. Panel B. Under What Conditions is SWM Ethical

Deontology
The moral norm is that management holds a fiduciary responsibility (duty) strictly to the shareholder.
Justice/Fairness

Any surplus paid to shareholders is then in turn allocated according to Rawls' (1971) allocation method of Justice.

Utilitarianism

SWM provides the optimal mechanism for maximizing good (or minimizing bad) for society as a whole.

Virtue Ethics

SWM is ethical when management acts in accordance with internal character traits (virtue).

Sustainability and Sustainable Development

Local Food Networks as Communities of Practice: An Action Research Agenda

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Abstract: The purpose of our workshop was to call attention to emerging communities of practice where academics and community activists are coming together to learn how to grow slow food networks. One expression of this movement is the creation of local food hubs which can potentially forge global links that scale up to forge a global action network or GAN (Waddell, 2011).

Keywords: Slow Food Movement, Action Learning, Stakeholder Networks, Global Action Networks

INTRODUCTION

A community of practice is a group of people who share a concern or a passion for something they do, and learn how to do it better as they interact regularly (Wenger, 2008). A community of practice may be thought of as a stakeholder network that converges around a shared issue or problem (Roloff, 2008) by engaging in action learning. Action learning seeks to engage academics, social activists, and organizational practitioners in a community development process that identifies a shared problem and works collaboratively and pragmatically to move the co-constructed community toward a desired future state.

The slow food movement was founded in Europe, based on a perception that the prevailing global factory food system is pushing the world toward a tragedy of the commons. The global population is projected to grow from seven to over nine billion persons by 2050. Much of this growth will occur at the base of the global development pyramid (BOP) where people subsist on less than $2 a day. Garrett Hardin (1968), a noted biologist and systems thinker, argues that systemic problems such as population growth that ultimately demand unlimited access to common resources such as air, water, soil, etc. will create a tragedy of the commons or a crash in the system. According to Hardin, such systems crashes are not amenable to "technical solutions." And yet the global factory food system relies exclusively on technical fixes to increase food production (e.g., monoculture, reliance on chemical fertilizers and pesticides, genetically engineered seeds, contained animal feeding operations or factory farms, and the proliferation of "processed" foods based primarily on

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government subsidized corn and soybeans). Symptoms of the impending tragedy of the commons include global warming, non-point air and water pollution, growing dead zones at the mouths of major rivers, the advance of superbugs resistant to antibiotics, ever more e-coli outbreaks, and rampant obesity and diabetes across different demographics, but especially among the poor. Hardin argues that technical solutions are ultimately futile in preventing a tragedy of the commons (system failure) because they require "a change only in the techniques of the natural sciences, demanding little or nothing in the way of a change in human values or ideas of morality" (1968, p. 1243). The emergence of slow or local food networks suggests a collective effort to engage in a process of *moral imagination* (Werhane, 1999). Social activists, academics, and concerned practitioners, such as farmers, nutritionists, and restauranteurs are coming together in communities of practice to rethink how food can be grown, distributed, prepared, and consumed within a more decentralized and resilient local food system. This is as much a cultural movement to reflect upon human values and reconfigure "mental maps" as much as it is a movement to change dietary practices. Our workshop panel offered several brief case studies of the rise of local food networks in different locales to serve as a basis for a broader action learning community conversation about forging better, stronger linkages between food, society, and the earth. It is a bottom up expression of Elinor Ostrom's (1990) call for the forging of more collaborative cultural values and institutional arrangements to "govern the commons" in a manner necessary to ward off system tragedy.

AN EMERGING LOCAL FOOD COMMUNITY OF PRACTICE IN HAWAII

Food challenges on the Big Island of Hawaii capture in microcosm the larger challenges that confront our local and global food systems. This self-described island paradise, with 365 frost-free days per year produces locally less than 15% of the food consumed annually. The remainder arrives via air and sea from the global "industrial food" system, whether as mass produced monoculture vegetables and fruit from the Central Valley of California or as processed food derived primarily from corn (Pollan, 2007). Typically, the Big Island has only a two week supply of food at any given time. Food prices are double those of the mainland US. A majority of children in school qualify for free school lunches, based on family income.19.5% of the Big Island population lives below the poverty line and qualifies on the SNAP (Food Stamp) program. Food insecurity is a major social problem.

Ironically, prior to Western contact in the 18th century, the native Hawaiian population of over 300,000 on the Big Island was entirely self-sufficient in food production. This was with 100,000 more mouths to feed than currently reside on the Big Island. The self-sufficient Hawaiian food production system, based on the *ahupua'a*, was disrupted in the mid-19th century by the rise of the plantation system for growing sugar and pineapples for export. In the *Great Mahele* of 1848, most *ahupua'a* (large pie-shaped parcels running from the sea up river valleys to the peaks of volcanoes) were broken up and converted from communal to private ownership to facilitate commercial exploitation. Self-sufficient, sustainable farming of wet and dry taro, sweet potatoes, yams, bananas and breadfruit was shunted aside in favor of diversion of land and water to plantation production of agricultural commodities for export. The plantation labor of native Hawaiians was supplemented by indentured laborers from Japan, China, Korea, the Philippines and Portugal (the latter serving as cowboys on the upland ranches).

The food challenges for Hawaii today are largely a legacy of the western-imposed pattern of plantation agriculture. The collapse of sugar production in the 1990s following the withdrawal of trade protection created a challenge as well as an opportunity for the ethnically diverse local population. Attracted to the rural life style, they have struggled to carve a livelihood from the land. While there have been some successes in growing tropical flowers, ginger, papayas and coffee – especially in the Kau as well as Kona districts—these farm products have been oriented toward export markets, primarily in Japan and the mainland US.

Local food production has struggled to scale up to meet potential demand, primarily because mass-produced food imports enjoy the cost advantages of scale economies and lower input costs for energy, fertilizer, and animal feed, offsetting higher transportation costs. The market opening for local food production would seem to be toward relatively small scale organic farms linked to private and commercial clients (restaurants and tourist hotels, school cafeterias, etc.) via "food hub" networks. These food hubs are popping up around the country. In effect, they are becoming *communities of practice* that seek to leverage local knowledge about farming. They seek to combine alternative food distribution systems with efforts to generate a "slow food" culture to differentiate local produce from what is available in big box stores. In Hawaii, local food initiatives have sought to link traditional Hawaiian cultural practices with sustainable food production and consumption. Examples include:

- The Kohala Center, a Hawaii-centered think tank dedicated to promoting sustainable agriculture and renewable energy, has taken the lead in promoting community gardens linked to K-12 education and in encouraging students to take up farming and ranching careers. (See kohalacenter.org)
- The Ma'o Organic Farm on Oahu which recruits native Jawaii youth to serve as interns for learning ancient Hawaiian agricultural practices, selling the produce at local farmers markets, and offering college credit in sustainable farming practice at a local community college. See maoorganicfarms.org)
- The Food Basket on the Big Island has moved beyond distributing government surplus ag commodities and private donations of Spam and rice to be designated as a Food Hub. It is reaching out to local farmers to create "farm to table" distribution of local produce as an alternative to mostly imported grocery chain and fast food outlets. (See hawaiifoodbasket.org)

These and other local experiments can learn and gain encouragement from other food activists around the country and the world. University programs in ethics and sustainability could take a more proactive role investigating these initiatives and in helping to link them together in glocal communities of practice. Student community-based "action research" projects could serve as a bridge between the classroom and the community. Workshops such as this could serve as a network node for linking local food initiatives. The more we interact and learn together, our local movements can converge and scale up and work with NGOs, corporations, and various government agencies to become what Steve Waddell (2011) has called a global action network or GAN. That, at least is the hope of this putative community of practice.

ENHANCING LOCAL FOOD THROUGH NETWORK ANALYSIS: A STUDY OF MAINE'S ARTISANAL CHEESEMAKERS

Our study examines how Maine artisanal cheesemakers are building a community of practice (Wenger, 1998) via networked relationships. In 2011 Russell Libby, then executive director of Maine Organic Farmers and Gardeners' Association stated, "Currently Maine has available land, sufficient rain, and a relatively moderate climate. These are increasingly in short supply in the region and across the country. What we don't have are enough people growing food, well-developed distribution and marketing systems, and a public commitment to make it happen" (Libby, 2010: 61). Yet, Maine is one of a minority of states in the U.S. in which the number of farms and young farmers are growing (Curtis, February 23, 2014; USDA 2012). This growth, coupled with the state's vigorous locavore movement, offers opportunities for more firmly supporting sustainable local economies, environments, and communities. Closely linked to these farmers are post-harvest production activities that more fully develop businesses downstream in the supply chain and move farm commodities such as milk, to value-added products such as cheese and yogurt. Such products are attractive on a number of levels – they require complex skillsets, have a higher profit margin, and have more distinctive attributes contributing to branding. Currently, coinciding with the increase in farms and young farmers, Maine's artisanal cheese maker numbers are increasing, with the number of Maine artisan cheese makers among the top in the U.S. and the cheese-maker to output ratio is comparatively low, suggesting a growth potential (Curtis, August 2, 2013; Whittle, August 16, 2015). These trends suggest that Maine is poised to have a significant regional cheese-making cluster - a geographic network characterized by high interactivity (Porter, 1998).

However, the extent to which these cheesemakers are forming horizontal and vertical networks that can increase their sustainability is not clearly known, yet these networks may be critical for challenges facing these small-scale businesses. Economic sustainability for Maine's cheese-makers is a struggle – many do not make a living wage, relying on 2nd jobs, or partners who have additional income as well as health care benefits. Environmentally, the cheese-making sector faces challenges stemming from reliance on fossil-fuel based transport systems, spotty access to farm waste recycling, and use of carbon-intensive inputs, making farms vulnerable to changing oil/gas prices. Also part of the work in building sustainable business clusters is careful stewardship of natural resources. Specifically, making cheese depends on using milk from cows, sheep, goats and water buffalo, and so involves manure management; a production by-product, whey, can overload farm waste management systems but can be a beneficially used as a food ingredient or animal feed. Social sustainability is also an issue, as cheese makers face problems common to rural businesses, notable distances between potential collaborators and other providers of social support. Thus, valuable interaction with both horizontal actors (i.e. other cheese makers) and vertical actors (i.e. milk and/or grazing providers, technology specialists, distributors, wholesalers, retailers) is a challenge but crucial for long-term sustainability.

Cheese-makers' vertical and horizontal networks are important in understanding knowledge, input and output flows related to processes internal and external to the business. Networks have been found to positively increase innovation, social support, information breadth and depth, and skill development. Cheese-making is a key value added product that dovetails with upstream dairy farmers and downstream consumers demanding locally-made, high-skill, foods blending traditional processes with contemporary interpretations. As reported in the Harvard Report, "Growing Maine's

Food Industry, Growing Maine" supporting Maine's clusters is key: "Support organized around groups of companies can help build supply chains, shorten learning cycles, pool market knowledge, coordinate outreach and create distribution efficiencies" (Harvard Kennedy School, 2015: 6). U.S. demand for cheese has climbed steadily since 1995 with per capita consumption increasing from 24 pounds per person in 1995 to 34 in 2014 (USDA, Economic Research Service, http://www.ers.usda.gov/data-products/dairy-data.aspx, accessed February 28, 2016). With Maine's growing reputation for "foodie" consumers (Harvard Kennedy School, 2015), artisanal cheese is poised to be a growth product. At the same time, many of Maine's small-scale cheese producers do not want to grow past the point of being able to manage their business "by hand." This means that the networks formed, and communities of practice play a significant role in exchanging knowledge, creating more efficient distribution channels, and creating closed loops for waste management. (This study is funded by the Senator George J. Mitchell Center for Sustainability Solutions Sustainability Research Grant, with a team that includes, in addition to S. Welcomer, Dr. Jean MacRae, Brady Davis, and Jacob Searles.)

FOOD HUBS AS AN ALTERNATIVE FOOD SYSTEM COMPONENT

The increase in demand for local food created a pathway to an alternative food system (AFS) (Thilmany et al 2008, Ekanen et al 2016). The demand for local food is largely met through direct sales from farmers to consumers, which includes: farmers markets, community supported agriculture, farm to school network (k-12), and farm to institution (Universities, Colleges, hospitals). An indirect value supply chain that meets this demand is a food hub.

Alternative food system or networks have been extensively researched over the past decade. Forssell and Lankoski (2015) reviewed the literature to determine the characteristics AFNs and their connections to sustainability. They document that AFN's are characterized by participants with a commitment to sustainability, focus on the quality of the agriculture product and it's impacts on community health, short value supply chains, and a concerns for democracy and economic justice. They found positive connections behind the motivation of the participants and concerns for environmental, social and economic sustainability (Forssell and Lankoski, 2015). Migliore et al (2016) found a majority of farmers who participate in alternative food networks were social entrepreneurs exhibiting weak self-interest and pursuit of environmental and social goals.

Heisss et al (2015) found "the supply chains that comprise Farm to Institution are much shorter than traditional supply chains" (p 68). They conclude that while price and profitability is important it was secondary to the construction of transparent, cooperative, long-term relationships and the goal of generating a healthy community. Food hubs are an example of a value supply chain and have been recognized as important innovations by the USDA as they support local economics, environmental sustainability and just agriculture practices (Adam and Barham, 2012).

There has been a large increase in food hubs over the past decade. Their missions include: supporting local farmers, food access, human health, ethical farming practices, and environmental sustainability and economic sustainability. Food hubs take multiple organizational forms including: cooperative, non-profit and for-profit. The size of the food hub frequently corresponds to their target customer. Smaller hubs focus on smaller grocery stores and sales directly to consumers and restaurants. Larger food hubs are able to aggregate more agriculture products reaching larger retail

grocery stores and institutions. Some food hubs focus on value added processing, availability of cold storage and refrigerated transportation and their own transportation fleet. With this increase in capital stock comes greater operational risk. Volunteer labor is common in cooperatives and not-for-profit hubs that also frequently rely on financial support from foundations, grants and donations (Diamond and James, 2012, Fischer et al 2013, Matson et al 2013).

Food hubs can foster the growth of agriculture in the middle, which plays an important role in meeting the demand for local food. This sector of American agriculture has decline due to commercial interests that have driven farmers to develop complex long distance supply chains; introduction of biological manufacturing detrimental to environmental health of the farm and animals raised upon them; pressure to reduce transactions cost (Kirschenmann et al,). All of these factors have contributed to the consolidation of agriculture and the commensurate concerns associated with the conventional food system. Food hubs are an opportunity for smaller and medium size farmers to consolidate their products, reduce transportation costs and generate the scale necessary to address the demand of institutional buyers. They are perceived to be a model that de-commodifies food and generates genuine relations between farmers, food aggregators, consumers and communities.

Four food hubs are currently operating in Maine (Crown of Maine, Northern Girl, Farm Fresh Connection, Unity Food Hub). An additional food hub recently went out of business (Coastal Farms and Foods). There is a growing interest in food hub evidenced by 3 communities conducting feasibility studies (Southern Kennebec County 2013, Lewiston-Auburn Regional Food 2015, Maine Harvest in Topsham 2013). The food hubs sell agriculture grown in Maine within Maine and to population centers throughout New England.

Recently a consortium was created to investigate the feasibility of a food hub in the Bangor area. Community organizations, faculty and students in conjunction with the municipalities participated in the process. A prime target was the institutional market for local agriculture, a demand that potentially could be met through the aggregation, distribution and value added aspects of a food hub. The community members and local municipalities held slightly different goals for the project. The municipalities, economic development organizations and Chamber of Commerce prioritized on the regional economic development aspects of a food hub, desired to support farms in the surrounding region (defined as 50 miles) and generate a business plan that was marketable as a viable business enterprise. The community members while sharing these goals, prioritized on social and environmental goals including food insecurity and the support of sustainable agricultural practices (Sprague, 2016).

A survey was conducted of the unmet demand for local food by institutional purchases within a 50-mile radius of Bangor. The results revealed both opportunity and obstacles. The analysis revealed that 70% of the demand for Maine made products was unmet in the geographic region, approximately five million dollars for those institutional buyers. The institutional buyers reported an inability to find local agriculture products. Thus part of the unmet demand could be met with better information. While the aggregate unmet demand was substantial, there are few large institutional buyers in the region; most institutional buyers had relatively small needs. The group determined this was an obstacle to the vision of a centrally located and capital-intensive food hub (Richter, 2016). While focusing on the demand analysis the consortium realized the unmet demand frequently was

not matched with what local farmers are producing. This was further exacerbated since some producers lack Good Agricultural Practices (GAP) and Good Handling Practices (GHP) certification. Producers lacking GAP and GHP are unable to supply protein products (poultry, red meat, and eggs), for which there was a high unmet demand (Sprague, 2016). These findings were consistent with two recent food hub analyses conducted in the central part of the state. Both of these studies concluded that a centralized food hub was a high-risk endeavor given supply constraints (Karp Resources, 2015, Callinan and Dyer 2013. The market analysis and focus of this food hub prioritized on a vision of local starting within 50 miles of Bangor that is very small compared to the existing food hubs that operate throughout New England.

The consortium was a good example of a community of practice. While the stakeholders exhibited some conflict between the goals of economic, community and social benefit, and environment sustainability; this did not keep he them from cooperating and finding common ground. The group was very concerned about both internal and external relationships and was concerned about negatively impacting existing food aggregators. The students provided valuable access to university resources and expertise and engaged in a project that empowered them as student citizens.

GIS and Poverty Mapping: Tools for Global Food Security Interventions

Geographic Information Systems (GIS) are designed to capture, store, analyze and display geographic, spatial data (Longley, Goodchild and Maguire, 1999). These computer-lodged systems have enjoyed increasing use in the social sciences; and, while critics point to the dangers of a singular reliance on such systems for policy decision-making and poverty alleviation program placement -- given inherent inaccuracies or lack of comprehensive data collection -- it has been an effective tool in targeting poverty pockets for intervention programs. A key advantage to this approach is the comparability of data across time periods and between regions, permitting the integration of data received from surveys of farmers and households, for example, with that received through climate and soil studies (Bigman and Fofack, 2000).

Poverty mapping is one means of employing GIS in the context of global development and in responding to the measureable indicators of the UN's seventeen SDGs (sustainable development goals). Such "poverty mapping" offers an interesting global approach to addressing food insecurity issues in particular (SDG #2 – Zero Hunger), that plague developing areas of the world facing risks of famine – risks that are expected to only worsen with advancing climate change (Gregory, Ingram and Brklacich, 2005). The World Food Summit of 1996 defined food security as a state when "all people, at all times, have physical and economic access to sufficient, safe and nutritious food to meet their dietary needs and food preferences for an active and healthy life". This definition is profoundly important in pointing to the very elements of what must be measured in order to achieve "zero hunger", and poverty mapping is capable of capturing this data. For example, on the supply side, enough food must be available, since food scarcity is an element of food insecurity. Therefore, crop yields soil characteristics, irrigation, land degradation and daily calorie supplies may all be helpful measures that can be mapped together for a visual overlay of nutritional status and food supply crises and where they are occurring. Digital soil mapping is a common approach to understanding conditions affecting food supply and began as far back as the 1970s (Sanchez et.al., 2009).

Further, people must have access to the food that is available (Pinstrup-Andersen, 2009), so mapping may identify infrastructure or economic obstacles to food access even when food is abundant. Mapping food outlets is another means of uncovering causes of lack of access to food for those living in poverty. Price volatility is an additional measurable element of the food security definition as it can threaten supply, and food quality must be assured if we are to adequately meet dietary and health needs and expectations. Poverty mapping is useful in identifying areas of vulnerability related to natural (climate) disasters, soil degradation, and where and how food is distributed -- so that interventions to promote food security among the poor could be planned and risks mitigated ex ante.

Specific targets attached to the SDGs may also be mapped such as ensuring the proper functioning of food commodity markets and their derivatives (Target 2.5c) and implementing resilient agricultural practices that increase productivity and production (Target 2.4). In exploring these and other issues through mapping, we unveil certain dimensions of poverty particularly relevant to the food insecurity crisis worldwide, including gender inequality, infrastructure deficiencies, declining soil fertility and lack of access to technology.

Apart from the powerful application of mapping for identifying food insecurity and combining measures of the concept, GIS and poverty mapping have a great potential to fuel a participatory democratic process. When local communities are involved in both collecting data and having access to data about where they live, it becomes an instrument for empowering a collective understanding of common spaces. This notion of "ground-truthing" is an important dimension of this engagement. Ground-truthing is a means of verifying data through on-the-ground triangulation of sources of that data, and involving in the community in authenticating the information. It can be very empowering for community residents, and it also provides for more accurate mapping – all resulting in superior interventions. For example, food supply and access to available food might be mapped in terms of retail food outlets in a region as obtained by local agencies. Ground-truthing can help determine if the data obtained is valid and while direct observation can be costly, at least one study also found it to have greater accuracy than other more economic remote-sensing technologies such as Google Street View (Rossen et.al, 2012). This form of participatory map-making can act to bridge the gap between the communities for which interventions are being planned and the decision-makers who fashion them, an important step in increasing community engagement and consensus-building.

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

Business Law, Religion, and Pro-Social Behavior in the Workplace

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Abstract: Business Law and Religion has long been one of the more intriguing and misunderstood partnerships in contemporary American Society. One of the main purposes of this paper is to make clearer and more helpful the boundary conditions between this partnership from the specific perspective of American Jurisprudence.

Keywords: Business Law and Religion, Pro-Social Behavior

INTRODUCTION

"Should religion have a role in the workplace?"

Some would argue, "No! Religion should have no place at work because its overall net effect on employees and organizations is negative."

Others would argue, "Yes! Religion should have a place at work because its overall net effect is positive."

The problem with these normative arguments is that they are disconnected from the real world, thereby resulting in dissatisfying conclusions for the outside observer who has yet to take a position.

If the question is reframed with a few subtle changes then the entire discussion can be recalibrated in a more positive direction (Chan-Serafin, Brief, & George, 2013; Lund Dean, Fornaciari, & McGee, 2003).

That is, what if the question is changed to "What role does religion play in the workplace?"

If this is the question, then regardless of whether the role of religion is planned, accidental, or even desired, the discussion can focus on empirical data (Chan-Serafin et al., 2013).

In other words, if religion has a role (or roles) empirically, then it can be scientifically examined to discover when it performs as a positive pro-social driver of behavior and when it doesn't. This is important because it can help deescalate what tends to be inflammatory and allows practitioners and

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researchers to better understand what can be an incredibly deep, meaningful, and ennobling phenomenon—that is, the role of religion in the workplace.

So, with this positive reframing in mind, let's look at a few of the empirical realities of religion in today's workplace and the resulting complexity, which can be illustrated in a recent event that took place in a Cargill beef processing plant located in a small Colorado town.

It is there that a preventable and unfortunate conflict arose between workers and their supervisors regarding the role of prayer in the workplace. The company employed a large number of Somali refugees who were also practicing Muslims. Supervisors had been accommodating these employees' prayers, allowing them 10-minute breaks once or twice per shift. Then, according to the employees, their supervisors decided that these requests for prayer were disrupting production, especially when the employees took prayer breaks in groups. The Somali-American workers were informed in a way they viewed as confrontational that their workplace prayer opportunities would be severely curtailed and any attempts to do otherwise would be met with penalties. In short, their request for a religious accommodation was, from their perspective, met with hostility and threats. This strained relationship between management and labor finally came to a breaking point in December 2015 when a group of 11 workers were told by their supervisors to go home if they wanted to pray. They did just that and were subsequently fired along with nearly 150 other workers who also walked out in protest.

The negative toll on the individual employees' economic and psychological situations, the organization's reputation and the organization's relationship with local community cannot be overstated. But did it need to unfold this way? We would argue "No!"

But there is a lot behind this "No."

As such, let's look at some boundary conditions around how business organizations can move the empirical realities of the religion-workplace relationship from being negative to positive.

BUSINESS LAW AND RELIGION

The boundary conditions we want to discuss deal with the law governing religious discrimination in the workplace. Now, before we can discuss religious discrimination, we need to discuss a threshold issue, which is the legal definition of religion in the United States. The authors recognize that starting this section with a definition is not standard practice in a business publication. However, the first author is trained in the law, where it is typical to define relevant terms prior to a discussion. Given that this paper starts with a legal discussion, we give cede to legal writing standards.

We all have an intuitive feeling for what religion is. Many of us are either members of an organized religion or know people who are. Yet, this intuitive sense of what religion is stands in stark contract with how American courts define religion, which is why understanding how courts define religion is so important. Without this ability, a manager may take an action that gives rise to a religious discrimination claim when religion is the last thing on her mind.

Courts throughout the United States do not all agree on how to define religion, but one common theme is that courts define religion much more broadly than you and I would define it.

This wasn't always the case. Early cases limited religion to an individual's belief in relation to a supreme being (Stüssi, 2012). However, this simple definition ceased to work as religious diversity grew in the United States. Courts ceased to look at religion from a Judeo-Christian perspective and started to focus on the content of alleged religious beliefs. One pivotal step was a three-part test developed by Judge Adams of the United States Court of Appeals, Third Circuit. He realized that religion could not be limited to mankind's relationship with a creator.[2] Instead, he proposed that beliefs should be protected if (1) the subject matter of the belief is consistent with its assertion that it is religious, (2) the belief system is comprehensive to answering life's ultimate questions, and (3) the belief's outward signs (such as church services, ceremonies, leadership, and holy day observance) are comparable to those in other religions.[3] Just in case these three factors prove too inflexible, Judge Adams added that a religion could exist even without meeting any of these factors.[4] This three-part test has been accepted by several courts in the United States.[5]

We can see that Judge Adam's test is much broader than what many of us would define as religion. Undoubtedly, much could (and has) been written on each of these points. While the first author finds this inquiry fascinating, we forbear this exhaustive legal analysis and instead make an important point: generally, courts give broad deference to finding that a belief is religious.

When we think of religion, we tend to think in terms of an organization, attending services, participating in rituals, and studying scripture. This is not inaccurate, but a business manager needs to understand that courts are more likely to defer to an individual's sincerity of belief over questioning whether the belief is part of an organized religion.[6]

This sincerity of belief does not even need to be consistent. For example, courts will look at past insincerity with the understanding that an individual's commitment to a religion can strengthen over time. For example, in one case an employer questioned an employee's Judaism because the

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[2] "Under the modern view, 'religion' is not confined to the relationship of man with his Creator, either as a matter of law or as a matter of theology." 592 F.2d 197, 207 (3d Cir. 197 (Adams, J., concurring).

[3] 592 F.2d 197, 208-209 (3d Cir. 197, Adams, J., concurring).

[4] 592 F.2d at 209.

[5] See, e.g., DeHart v. Horn, 227 F.3d 47, 52 n.3 (3d Cir. 2000); Love v. Reed, 216 F.3d 682, 687 (8th Cir. 2000); Alvarado v. City of San Jose, 94 F.3d 1223, 1227 (9th Cir. 1996); United States v. Meyers, 95 F.3d 1475, 1483 (10th Cir. 1996); Dettmer v. Landon, 799 F.2d 929, 931 (4th Cir. 1986); Wiggins v. Sargent, 753 F.2d 663, 666 (8th Cir. 1985); Grove v. Mead Sch. Distr. No. 354, 753 F.2d 1528, 1534 (9th Cir. 1985); Africa v. Pennsylvania, 662 F.2d 1025, 1031–32 (3d Cir. 1981).

[6] EEOC v. Abercrombie & Fitch Stores, Inc. (Abercrombie I), 798 F.Supp. 2d 1272, 1284 (N.D. Okla. 2011), rev'd on other grounds, 731 F.3d 1106 (10th Cir. 2013), cert. granted, 135 S. Ct. 44 (2014). EEOC v. Abercrombie & Fitch Stores, Inc., No. 4:08CV1470 JCH, 2009 WL 3517578 (E.D. Mo. Oct. 26, 2009). Employer won by questioning the employee's sincerity of belief through showing that the employee showed up to depositions wearing clothing nearly identical to the clothing she was required to wear as an employee.

employee did not observe every Jewish holiday. However, the court found that such observance was not necessary because a person's faith can vary over time.[7]

Now, you may be thinking that courts define religion so broadly that any belief could be classified as religious, allowing employees to use belief as a pretense to avoid any undesirable or inconvenient work obligation. Given the difficulty and impracticality of such a result, courts have been careful to identify the limits of when a belief should not be considered religious and subject to protection under Title VII of the Civil Rights Act of 1964 (known as "Title VII" for short), which is the federal law in the US that prohibits employers from discriminating against employees on the basis of sex, race, color, national origin, and—important for our discussion today—religion (U. S. Equal Employment Opportunity Commission [EEOC], 1964).

Generally, beliefs reflecting preferences that are social, political or personal in nature will not be found by courts to be religious (Ghumman, Ryan, Barclay, & Markel, 2013). For example, in one case an employee sued for religious discrimination under Title VII when she was fired for missing work to set up for a church play. While this situation clearly involved a religion, the court held for the employer, finding that setting up for a church play was not a required church observance but a social obligation.[8]

A court is also hesitant in allowing a personal dislike to masquerade as a religious belief, such as illustrated by a case in which an employee refused to wear a holiday necklace and filed a complaint for discrimination because of his religion. The court sided with the employer since the employee failed to show that his unwillingness to wear the necklace, which featured a gingerbread man, was a religious prohibition instead of a mere dislike of the necklace.[9]

However, this analysis is not without complexity. Other categories subject to discrimination, such as race and gender, are often visibly apparent. The unique nature of religion can make identification of religious belief elusive. Title VII's protections extend to some beliefs that do not appear religious in nature, but are, nonetheless, deeply held. For example, Title VII extends to atheism as long as such non-belief is sincere and held with the same fervor as believers with their religious views (Vickers, 2008).[10] The rise of non-traditional beliefs that do not fit into traditional categories of religious or secular belief further complicate the matter. These beliefs include veganism, spirituality, conscience,

[7] EEOC v. Ilona of Hungary, Inc., 108 F.3d 1569, 1575–76 (7th Cir. 1997). EEOC v. Chemsico, Inc., 216 F. Supp. 2d 940, 950 (E.D. Mo. 2002). Finding that sincere religious belief of plaintiff, who was member of Church of God, which did not allow sex before marriage, and who had delivered a child out of wedlock, did not require that adherents never fell below religious standards.
[8] Wessling v. Kroger Co., 554 F. Supp. 548, 552 (E.D. Mich. 1982).
[9] Kreilkamp v. Roundy's, Inc., 428 F. Supp. 2d 903, 908 (W.D. Wis. 2006).
[10] Vickers, p. 180. *See also* Young v. Southwestern Savings and Loan Association, 509 F.2d 140 (5th Circuit 1975) and EEOC Guidelines, 29 CFR 16051, based on US v. Seegar 380 US 163 (1965). Note, however, that membership in the Ku Klux Klan, even though full of pomp and ceremony similar to that found in traditional religions, has not been found to be religious but instead has been found to be social and political in nature. *See* Bellamy v. Mason's Stores, Inc. (Richmond), 508 F.2d 504 (4th Cir. 1974).

and creationism. Recent cases show that these non-traditional beliefs may require the same treatment as religious beliefs under certain circumstances (Ghumman et al., 2013).[11]

We can see that the legal definition of religion is much broader than how we regard religion in other contexts. For the purposes of our discussion, the important take away is that courts generally give deference that a claimed religious belief is, in fact, religious.
Now that we have a grasp on how courts define religion in the context of religious discrimination, we need to understand the boundaries of religious discrimination under Title VII. We will now look at what Title VII says about religious discrimination, giving examples of situations managers may encounter, and exploring the current disconnect between the law's requirements and actually happens in the workplace.[12] Many states and municipalities have enacted religious discrimination laws that may be stricter than Title VII, so a full analysis of any particular situation requires an understanding of applicable state and local law. However, due to the breadth of this undertaking, such analysis is beyond the scope of this paper. Further, while Title VII prohibits employers from discriminating against job applicants, this paper will focus on discrimination towards a company's current employees.

Under Title VII, religious discrimination is generally found on four grounds: (1) failure of an employer to accommodate a religious belief, (2) disparate treatment of employees due to religious belief, (3) religious harassment, and (4) retaliation against an employee who alleged that his or her employer was engaging in religious discrimination. It is important to note that religious organizations are exempt from certain discrimination provisions, as are employees who serve as clergy. These two exceptions, known as the religious organization and ministerial exceptions, while important to recognize, are outside the scope of this paper.

With this empirical knowledge of the current state of the law dealing with the religion-workplace relationship in American Jurisprudence, we can now move on to discuss how the law is applied behaviorally.

While we seek to keep this paper focused on the empirical, the theoretical is unavoidable, so we want to make explicit with a few of our assumptions.

First, my co-author and I both view the law as the floor of morality. Second, we see individuals in organizations as human capital and not human resources. Third, we consider any applied behavioral interventions that we discuss heretofore as positive opportunity costs into an organization and not negative opportunity costs. And fourth, we assume that managers within organizations are not always purely motivated by self-interest, but that they can be motivated by both self- and other-interest.

These assumptions are important because, as we will see, the law remains ambiguous on what managers should do proactively.

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[11] Ghumman p. 448. A case was settled out of court where an individual was not hired by Scientific American because he self-identified as a creationist.
[12] Certain exceptions from Title VII's religious discrimination provisions apply to religious organizations and churches. A discussion of these exceptions is beyond the scope of this paper.

These assumptions can help us look at how managers can demonstrate a higher ethical standard when it comes to religiosity in the workplace. Interestingly enough, while we view this way as a positive in this paper, it is empirically one of the most contentious topics in any type of discussion of the religion-workplace relationship — that is, the accommodation of religious belief in the workplace.

(PRO- OR ANTI-SOCIAL) BEHAVIORS IN THE WORKPLACE?

One of the most interesting and contentious grounds for religious discrimination deals with when and how a religious belief should be accommodated. When religious persons are in the workplace, conflicts are bound to arise between work and religious requirements. Two of the most common conflicts deal with the observance of holy days, such as the Sabbath, and dress and grooming standards.[13] Other conflicts include prayer, proselytizing, and other expressions of religion, such as group study, the use of religious greetings and the presence of religious art and literature.

Title VII attempts to balance these conflicts by requiring an employer to reasonably accommodate an employee when the employee's sincerely held religious belief, practice or observance conflicts with a requirement of the employee's work, unless providing such accommodation would pose an undue hardship on the employer (Ghumman et al., 2013).

Title VII does not define the boundaries of undue hardship. As a result, this analysis has been left to the courts and, as we will see, the courts have set the bar for finding undue hardship quite low.[14] The general rule is that an accommodation results in an undue hardship if it results in more than a *de minimis* cost for an employer. The diversity of religious beliefs makes creating a one-size-fits-all formula impossible, which means that an analysis of undue hardship requires courts to analyze the unique facts and circumstances of each case (Drobac & Wesley, 2014).[15]

Courts will look at several factors to determine whether an accommodation would pose an undue hardship, such as monetary cost, impact on safety, the number of employees needing the accommodation, conflicts with collective bargaining agreements, and the resulting burden on other employees (Ghumman et al., 2013; Drobac & Wesley, 2014).

The following are a few examples of how courts have grappled with setting the boundaries of undue hardship:

Costco did not have a duty to accommodate an employee who was a member of the Church of Body Modification and had multiple piercings on her body and face. The court found that such an accommodation would impose more than a *de minimis* cost on Costco because it would interfere with Costco's ability to maintain its professional image.[16]

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[13] Religious and Creed Discrimination, PersonNet Reference Guides EEOC 41.
[14] "This is an extraordinarily low standard, as the cost must essentially be negligible. Any cost greater than something that can be disregarded is too much to ask of an employer" (Sherwyn & Ritter, 2015, p. 8).
[15] Drobac & Wesley p. 797. Haliye v. Celestial Corp., 717 F.Supp.2d 873, 881 (D. Minn. 2010).
[16] Cloutier v. Costco Wholesale Corp., 390 F.3d 126 (1st Cir. 2004).

- Taco Bell paid $27,000 to settle a religious discrimination lawsuit where an employee, who was a practicing Nazarite and who had not cut his hair in 10 years, was told that he had to either cut his hair or lose his job (EEOC, 2012, April, 27).

- A sanitary district failed to reasonably accommodate an Orthodox Jew where the district was unwilling to allow him to take a civil service exam on any day other than Saturday.[17]

- The court found that there was more than a *de minimis* cost when a carpenter refused to work on Saturday due to his religious beliefs. He proposed working on Sunday as an accommodation; however, the employer was subject to a union contract that required higher pay for Sunday work.[18]

- An employee, who was a Seventh Day Adventist, adhered to a tenant of that faith that prohibited him from belonging or contributing to unions. Other employees complained that this employee was a freeloader, but the court found that the grumbling and general unhappiness of coworkers did not impose undue hardship on the company.[19]

Accommodation law is crafted to be collaborative. Historically, the employee had the duty to inform the employer of religious practices that need accommodation.[20] But a recent case puts more of a burden on an employer to be proactive in discussing religious accommodation with employees. In that case, an assistant manager of an Abercrombie & Fitch Store interviewed a Muslim woman for a position, determined that she was qualified to be hired, but then did not hire her after the district manager concluded that her headscarf would violate the company's look policy. Even though the applicant did not inform the company of any need for an accommodation, the Supreme Court held that "an employer who acts with the motive of avoiding accommodation may violate Title VII even if he has no more than an unsubstantiated suspicion that accommodation would be needed."[21] This means that employers cannot make religious practice a factor in employment decisions, whether known or unknown. If the employer needs more information to determine whether and how to accommodate such practice, the employer must ask the employee follow up questions. The employer does not need to provide the employee's preferred accommodation, but the employer may provide a different—but reasonable—accommodation that will eliminate the conflict (Ghumman et al., 2013). Employers who make the accommodation process interactive, such as having open conversations with employees to discuss accommodations, are often treated better by the courts (Sherwyn & Ritter, 2015).

DISCONNECT

It may be no surprise that, when it comes to how religious issues are handled in the workplace, there is a disconnect between what the law says, what employees expect, and what actually happens.

[17] Minkus v. Metro. Sanitary District, 600 F.2d 80 (7th Cir. 1979).
[18] Creusere v. Bd. of Educ. of City Sch. Dist. of City of Cincinnati, 88 F. App'x 813, 819 (6th Cir. 2003).
[19] Anderson v. Gen. Dynamics Convair Aerospace Div. 589 F.2d (9th Cir. 1978).
[20] Religious and Creed Discrimination, PersonNet Reference Guides EEOC 41.
[21] EEOC v. Abercrombie & Fitch Stores, Inc., 135 S. Ct. 2028, 2033, 192 L. Ed. 2d 35 (2015).

Studies have shown that employee expectations are not always in line with the actions of human resource departments (Ghumman et al., 2013). For example, a 2008 study showed that 56% of employers offered employees time off for religious holidays, while a prior survey showed that 89% of employees believed that employers should accommodate religious holidays (Ghumman et al., 2013).

Part of this disconnect may be due to organization size. Large organizations have more resources for accommodating an employee's request for accommodation, and are more likely to have policies and training in place for minimizing other forms of religious discrimination, such as harassment and retaliation. Religious practices and observances may not, however, be accommodated as often in small or medium sized organizations. These organizations may lack the resources—including a sufficiently large workforce—to accommodate religion, which strengthens their defense of undue hardship (Ghumman et al., 2013).

But organizations of all sizes are susceptible to committing religious discrimination, as seen in the recent Cargill case discussed above. Even a large organization can violate Title VII if supervisors are not properly trained.

To further complicate the situation, employees may not understand when job requirements should give way to religious beliefs. This is highlighted by Dallas' (2016, April 27) article whose title says it all: "Should your boss know that you keep the Sabbath?" Given the law, this is a fairly straightforward "yes." But the question arises because many employees do not know that Title VII gives them the right to ask for religious accommodation and then protects them from any resulting retaliation. But even if employees know their rights, there is a tendency in the United States not to discuss religion at work, so employees may be hesitant to bring up the need for an accommodation (Green, 2016, February 17).

Society is also a factor in the disconnect between the religious discrimination law and its implementation in the workplace. Other protected classes t under Title VII, such as race and sex, are immutable characteristics. Religion, however, is viewed by many people as a choice that can give way to workplace demands (Soni, 2013). This leads some employers to view religion as something less than other protected classes, and, as a result, something that can be compromised (Soni, 2013).

Interestingly, diversity within religious groups also contributes to this disconnect. Religions, like society, consist of diverse individuals. On a macro level, broad categories of religion, such as Christianity, Judaism, Islam, and Buddhism, are made up of different denominations that each have unique beliefs. For example, Catholics and Seventh Day Adventists are both Christians, but they have clear differences in their beliefs, such as the proper day for Sabbath observance. On a micro level, members of the same religious denomination have differing levels of adherence. For example, some members of a denomination may strictly observe a Sabbath while others in the same denomination may have no qualms about working on the Sabbath.

Ultimately, managers are in the position to identify and address religious discrimination issues. The differences in intra-faith observance make it difficult for managers to identify an employee's religion, to understand an employee's religious practices, and to know what practices are subject to compromise (Soni, 2013). For example, a manager may employ a Muslim woman who does not

belief in wearing a headscarf, so when that same manager encounters another Muslim employee who does belief in wearing a headscarf, that manager may view the headscarf as a choice rather than a religious requirement.

Another comparable discrimination law—the Americans with Disabilities Act— may also contribute to this disconnect. As discussed above, the courts have set the *de minimis* standard of Title VII so low that companies can argue that any cost, such as paying overtime to one employee to accommodate another employee to attend to religious observances, is *de minimis*. However, an attorney would be hesitant to advise his or her client to do so because the bar for undue hardship under the Americans with Disabilities Act is much higher than under Title VII. In fact, attorneys for the Equal Employment Opportunity Commission, which is the federal agency charged with enforcing Title VII, have been attempting to bring the higher protections of the ADA to religious accommodation (Sherwyn & Ritter, 2015).

CONCLUSION

In this paper, we have reviewed the abstract aspect of how religion is defined under the law and have looked at concrete examples the boundaries for handling situations that arise when work requirements conflict with sincerely held religious beliefs. We have gone beyond the normative question of whether religion has a role in the workplace and have, instead, looked at the reality that religion is in the workplace. With globalization and the migrant crisis, religious diversity in the United States and many other parts of the world is increasing. Yes, we are right to be concerned about the conflict that could arise from this, but we shouldn't fail to also recognize this as a great opportunity for managers to be pro-social in the workplace with individuals of faith.

To quote from an excellent introductory article on this topic written by Professor Kabrina Krebel Chang for the Harvard Business Review,

"Conflict avoidance and ethics aren't the only reason to work toward solutions to religious accommodations. A recent study shows that workers who feel religiously comfortable in the workplace have higher job satisfaction. And . . . higher job satisfaction among employees leads to greater profitability for the employer. As . . . employers are discovering, faith is a part of the whole person that employers ignore at their peril" (Chang, 2016, March 15).

We second Professor Chang's observations. At the beginning of this paper we mentioned the recent situation at a Cargill plant in Colorado, which, regardless of whether the managers or employees were justified in their actions, is a great illustration of the effect on individuals, organizations and society when religion in the workplace is ignored. On an individual level, the livelihood of each fired worker was put in limbo. On an organizational level, the Cargill plant struggled to keep its processing plant running with the loss of the Somali workers. On a societal level, a once tight-knit community of refugees is now fragmented.

While "peril" is an appropriate word for what can happen in these situations, there is benefit in looking beyond the negative and to the positive. Managers who can accommodate the faith of employees not only avoid the peril of conflict but can act in ways that are intentionally pro-social.

The Council for American Islamic Relations, who aided the fired Cargill workers, made an interesting comment. The Council said that the conflict likely did not arise from intentional discrimination but instead from the supervisors' lack of understanding about the prayer protocol (Chen, 2016, January 08). This goes to show how much more important it is that in business organizations we act in ways that are intentionally pro-social.

And as we do so the relationship between business and society can be made stronger and healthier, which is a goal worth pursuing.

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Corporate Social Responsibility and Performance

Disbanding The Dark Side of Organizations: Towards an Understanding of Corporate Social Irresponsibility in the MENA region

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Abstract: The discussion of corporate social responsibility (CSR) has tended to overlook corporate social irresponsibility (CSI) in global markets. This is particularly the case for discussions of the Arab world in which institutional elements such as wasta (to be defined later) and fatalism play a key role in both the conception and outcomes of CSI.

Keywords: Corporate Social Irresponsibility, Climate Change, MENA, wasta

INTRODUCTION

According to the report in Science Journal, humans are altering the planet, including long-term global geologic processes, at an increasing rate. Species of flora and fauna are so stressed by human activities and increasing demand for rare earth elements and minerals that more than 75% of species of animals and plants could be gone within a few centuries (Waters et al., 2016).

As awareness of the level of environmental degradation facing the planet increases, and vulnerability associated with lack of ecosystem services perceived, more is being expected of its citizens to take both responsibility and action. The world is changing and businesses ought to recognize the opportunities that arise from corporate initiatives engaging directly with nature. Winn and Pogutz (2013) refer to this mutual relationship of impact and dependence as 'organization ecosystem embeddedness.' Global efforts are needed if we are to implement effective solution to save our deteriorating ecosystem.

Unfortunately, the efforts to green our practices are not uniform around the world. There exist environments where sustainable initiatives are not undertaken as Campbell (2007) detects a variance in socially responsible corporate behaviour across countries and asserts that CSR "may mean different things in different places to different people and at different times" (Campbell 2007, p. 950). The fact that "CSR practice develops within a specific social context" (Frynas, 2006, p. 17) highlights the potential of region-specific research to enhance our understanding of the causal elements of the variance aforementioned. This is a crucial undertaking if we are to implement truly global solutions to climate challenge. Therefore, the research conducted herein has the overarching

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goal to investigate dissimilarities that exist in socially responsible practices of firms around the world.

Background of the Problem

An increasing numbers of MENA countries facing water stress and scarcity, and land degradation (Global Environment Outlook 3, 2002). These are major environmental issues which repercussions can be felt across distant shores. Despite this, such social and environmental concern is not prevalent in MENA. A 2009 CSR survey of 106 leaders in the Middle East regarding attitudes towards and understanding of CSR by the Sustainability Advisory Group in the MENA region showed that a considerable proportion of business leaders surveyed rates poverty alleviation, water conservation, climate change mitigation and waste management and pollution as unimportant issues (20%). Moreover, about half of the participants stated that their companies are not effectively addressing the aforementioned issues. Knowing the importance of managerial values and attitudes towards CSR one can understand the limited participation of Arab organization in the Arabia CSR network, with only 13 companies and half of these being foreign multinationals (Arabia CSR network, Annual report 2013).

We need firms around the globe to embark in sustainable development- a strategic capability that involves economic, social and environmental gains (Hart and Dowell, 2011). For this to occur, we need to understand what makes managers behave in an unsustainable way. Mere economic explanations are necessary but not sufficient; other normative explanations should be accounted for so that unsustainable minds unfreeze from their current state, reassess their practices, gain new perspectives and set the wheels of change out of the darkness of pollution into the lights of sustainability (Lewin, 1947).

From a humanitarian perspective, the focus on the developing world is entirely appropriate for social harm and environmental damage are more intensely felt in poor underdeveloped countries as they have a weak capacity to adapt to change and are thus more vulnerable to environmental and social threats (Global Environment Outlook 3, 2002). Their vulnerability emerges from the lack of institutions providing social goods (Visser, 2008). Under these adverse conditions, SMEs come under heightened expectation to fill these gaps for their potential to become sustainable enterprises that can harness the opportunities created by market imperfections and socioecological problems (Cohen and Winn, 2007).

Moreover, SMEs represent a significant portion of businesses worldwide (Jenkins, 2004a) and constitute 80 to 90 percent of total businesses in most MENA countries (Saleem, 2013). Hence, their collective CSI impact could be of great significance at the global scale (Cassells and Kate Lewis 2011) but fortunately, so too is their potential to contribute positively to the communities in which they are embedded.

Research Question

Unfortunately, there is still a negligible discussion of the notion of corporate irresponsibility in the CSR literature. The discussion of the antecedents and consequences of CSI behaviour is limited (Greenwood, 2007; Lange & Washburn, 2012) and so is the research pertaining to the relationship

between CSI and corporate financial performance (Campbell, 2007). Additionally, the literature on local SMEs is also scarce as most studies have looked at subsidiaries of MNCs in the developing world (Frynas, 2006). Research on SMEs in developing countries fails to adopt a broad theoretical lens to examine the nature of the issues linking SME and CSR (Moore and Spence, 2006) and fails to account for the role of institutional arrangements in the variance of behaviors (Campbell, 2007).

Hence, the research idea here offered intends to fill this gap and explores the conditions under which local SMEs may be more likely to engage in socially irresponsible practices. The research questions to be pursued herein are: What is causing the persistent variance in sustainable behavior among organizations? What are the antecedents of CSI? To what extent is the effect of CSI on corporate image uniform across countries?

The primary explanation pursued will be concerned with SME's inclination towards CSI; the likelihood of organizations to act in CSI and the factors affecting it. The position hypothesis in that specific institutional arrangements of CSI behavior and that such behavior can be clarified through a multidisciplinary investigation that comprises an assessment of varying levels of analysis (i.e. institutional and organizational level).

This paper is organized as follows. Firstly, a comprehensive exploration of relevant literature pertinent to the definition, antecedents and outcomes of CSI is discussed identifying knowledge gaps based upon under-studied themes. Following this, based on the literature review and the characteristics of the MENA region, and in light of institutional theory, social exchange theory, social capital and attribution theory, theoretical propositions and a conceptual model relevant to the MENA context that highlights CSI drivers at the firm level and the effect of cultural manifestations on a firm level outcome of CSI (i.e. Corporate image) are presented.

LITERATURE REVIEW

Defining Corporate Social Irresponsibility

The history of CSI could be traced to the article written by Armstrong in the Journal of Business Research (1977) in which social irresponsibility is defined as "A socially irresponsible act is a decision to accept an alternative that is thought by the decision maker to be inferior to another alternative when the effects upon all parties are considered". Fast forward three decades, the literature on CSI is short and the term is rarely discussed explicitly (Lin-Hi and Muller, 2013). According to a literature review conducted by Lin-Hi and Muller (2013), the discussion of CSI is aimed at its definition, antecedents, outcomes and ways of prevention. There exist different approaches to defining the term according to the lenses and positions of scholars but what all have in common is the highlight of the immoral, illegal and harmful aspect of irresponsible corporate actions.

The best definitions go beyond the mere presentation of examples of CSI (Fox, 1996; Frooman, 1997; Karmen, 1981; Sarre, Doig, and Fiedler 2001; Shwarze 2003; Christensen and Murphy 2004; DeMaCarty, 2009; Ireland; 2010) to include other dimensions such as the stakeholders' perception of what is deemed irresponsible behavior (Brammer and Pavelin, 2005; Tench, Bowd, and Jones 2007; Wagner, Bicen, and Hall, 2008; Williams and Zinkin, 2008; Lange and Washburn; 2012) and

irresponsibility regardless of legality (Jones, Bowd, and Tench, 2009; Lin-Hi and Muller, 2013) and intention (Lin-Hi and Muller, 2013).

Accordingly, CSI can be divided into legal and illegal dimensions. However, legal actions are not always socially responsible and illegal ones may be tolerable among certain cultures (Lulewicz-Sas, 2013). Also, CSI can be divided into two forms: intentional and unintentional. Intentional CSI implies that corporations deliberately perform actions that disadvantage and/or harm others. Examples of intentional CSI include bribery, favoritism and planned obsolescence. Unintentional CSI is unanticipated harmful behavior that does not aim to achieve a particular goal but it is still condemned as it hints to the neglect and failure of firms to protect its stakeholders (Lulewicz-Sas, 2013).

Lin-Hi and Muller, (2013) provide the most well rounded definition of CSI which according to the authors causes disadvantages and harm to concerned stakeholders. It can be intentional/unintentional and legal/illegal. The violation of law is to be conceived of as a sufficient, but not a necessary condition for defining CSI.

CSI Outcomes

The research pertaining to CSI reveals that a company's broader social dimensions have a complex and multifaceted impact upon its own corporate image, its relationship with its stakeholders, and in the overall performance of the industry beyond the individual corporation. The overall impact of CSI can thus be subdivided into external and internal outcomes.

External Impact

CSI`s external impact can be understood as far-ranging and multifaceted. D'amato et al. (2009) observe: "Organizations are being called upon to take responsibility for the ways their operations impact society and the natural environment" (p. 1). This statement encapsulates the multiple ways in which instances of CSI can negatively impact an organization's external environment. Briefly, this impact can be understood as potentially representing a threat to external natural ecology and environment; the function of business within the broader corporate world; and the impression that consumers have of the offending firm. Environmental and ecological destruction represents a key example. This impact not only threatens a company's capacity for developing a positive public image, it also seriously compromises both popular impressions of the corporate world and the potential sustainability for continued human existence on the planet (Norse & Amos, 2010). While less far-ranging in its impact, CSI can also endanger the broader corporate world. Egregious examples of fraud, such as that carried out by the American energy firm Enron in the early 2000s, produce an environment hostile to corporate practice (Pearce & Doh, 2005) and thereby invite governmental regulation.

Internal Impact

In terms of CSI`s internal impact, factors such as fines and economic sanctions, employee dissatisfaction and broader organizational dysfunction, coupled with difficulties in terms of interfirm partnerships and cooperation all seriously threaten a company's potential for corporate sustainability

(D`Amato et al., 2009). A company involved in examples of CSI can expect to pay a large sum in terms of fines, penalties, and in terms of short-term stock performance (Goss and Roberts, 2007). While this represents a potential for short-term economic outcomes, it also pales in terms of other longer-term negative effects. A negative public image can last for a long time in the collective mind of the general public and often represents one of the hardest effects to mitigate and change (Ramus and Steger, 2000). Closely related to this, employee dissatisfaction and negative impressions of his/her employer often represents a potentially debilitating outcome (Bansal and Kandola, 2003). This effect impacts organizational function, harmony, and the potential for retaining valuable employees over a longer period (Ramus and Steger, 2000).

Gaps in Literature

Current discussions of CSI have effectively examined how instances of corporate irresponsibility impact a given company's potential for sustainability in the longer-term marketplace (Wood, 2010). More specifically, these studies have analyzed how CSI impacts the organization's longer-term economic outcomes, its capacity for maintaining optimal internal operating conditions, and in fostering positive relationships with other corporations, shareholders, and the broader public (Strike et al., 2006). The question of culture's impact on CSI, however, represents an underrepresented area of research.

MODEL CONCEPTUALIZATION IN MENA AND THE MEDIATING EFFECT OF CULTURE

Effect of Institutional Context on the Cultural manifestation wasta

Theoretical Premise

According to institutional theory, organizations are shaped by three important institutional order pillars: regulative, normative, and cultural/cognitive (Scott, 2001). The regulative pillar involves rules and coercive mechanisms of sanctioning. Organizations maintain legitimacy by adhering to the rules and operating in legality. In the normative factors legitimacy is obtained via fulfilling moral obligations and in cultural pillar legitimacy entail demonstrating cultural support and shared lenses via which meaning is ascribed. Institutional theory will be used as a lens via which the important forces of the institutional field in the MENA region are presented and linked to the irresponsible cultural manifestation of wasta and the proliferation of CSI among SMEs. Hence, we focus on the role of the organizational characteristic ownership structure to explain firms' engagements in CSI and to enable the identification of unique CSI antecedents other than those driven by economic goals. Such understanding would allow progress beyond the usual platitude about the economic argument explaining environmental performance of organizations: that it is poverty that drives firms to behave in a socially irresponsible manner. This conceptual paper, however, considers the influence of contextual factors idiosyncratic to the MENA region.

Defining wasta

wasta refers to a process of mediation involving a middleman and two conflicting parties. Traditionally, Bedouin tribes practiced wasta to arrange peaceful solutions when conflicts arise.

Despite its informality as an institutional practice, wasta is both salient and idiosyncratic, and is also regarded by most Arab nations as an influential force in most significant decisions and a foundation of most social organizations (Cunningham & Sarayrah, 1993). Over time, wasta evolved from its ancient tribal roots to become a national and organizational norm (Al-Rayis & Al-Fadli, 2004). Nowadays, it is not strictly limited to family and tribal networks but may also be practiced among friends, social clubs, religious groups, political parties, and other forms of acquaintances (Al-Rahami, 2008). Cunningham and Sarayrah (1993) distinguished two types of wasta, identifying one as mediation wasta and the other as intercessory wasta.

Mediation wasta. Mediation wasta encompasses traditional functions of mediation. As a result, it is frequently used in tribal settings to promote peacefulness and integration among individuals and groups in the community. In these contexts, wasta is beneficial and useful as a form of dispute resolution and governance because it promulgates trust-building and economizes transaction costs. Conversely, an alternate form of wasta exists but users employ it for significantly different reasons. Instead of utilizing wasta as a problem-solving methodology, some individuals use intercessory wasta as a type of rent-seeking behavior, where the wielder attempts to leverage their connections to achieve various objectives. Although the type of mediation used determines which wasta alternative is most appropriate, the boundaries between wasta typologies are sometimes blurred.

Intercessory wasta. The intercessory form of wasta is linked to social impact CSI because of structural power emanating from the gatekeeper position in the triad relationship, which makes wasta increasingly prone to cronyism, corruption, and/or rent-seeking behaviors (Loewe, Blume, Schönleber, Seibert, Speer and Voss, 2007). To illustrate, consider how favoritism often encompasses the granting of special privileges to friends, colleagues, or acquaintances. For example, if a manager favors a friend for a job position over other more qualified candidates because the friend has wasta, the manager accepts responsibility for the risks that accompany that decision. Loewe et al. (2007) explained that favoritism is not necessarily an issue when it involves a dyadic relationship, however, wasta is a triadic relationship. That being said, returning to the example of a manager who hires an unqualified employee on the basis of wasta, in this scenario the middleman is failing the principal and bears no risks. In fact, the middleman has everything to lose if not accommodating the request of wasta. The recipient of the favor does not have to reciprocate to the middleman, although the recipient is expected to grant similar favors to others in need when requested to do so. This is a form of generalized reciprocity and it can lead to a vicious circle of favoritism. (Khatri, Tsang & Begley 2006; Loewe et al., 2007).

Consequently, wasta significantly influences organizational decision-making and intercessory wasta permits individuals with influential family or financial power to benefit disproportionately. For example, job security, promotions, and university admissions are generally governed by personal and tribal relationships instead of professional competence or academic performance (Cunningham & Sarayrah 1994; Anwar & Chaker 2003; Rice, 2004; Hutchings & Weir, 2006) all of which makes for an unqualified and unproductive workforce (Al-Saggaf & Williamson, 2006).

Current State of wasta In The MENA Region

Sixty-five percent of employees in the second largest mobile telecommunications provider in Lebanon were hired through wasta (Ezzedeen & Sweircz, 2001). Also, in Jordan the mediocre

quality of the business climate, combined with its bureaucratic and unfair administrative characteristics, are all linked to wasta as well (Loewe et al., 2006). Despite the over-arching influence and social impact of wasta little research exists from a social science or business perspective (Cunningham & Sarayrah, 1993, Al-Rahami, 2008; Barnett, Yandle, & Naufal, 2013).

Traditional Arab values were modified in the 20th century and, although wasta remains a very common practice in most Arab countries, it functions significantly differently than it did originally. As a practice, wasta is not necessarily the problem, but its overuse can be very problematic as is its propensity to become a social impact CSI. The following sections explore why the institutional environment of Arab nations in MENA provide the motives, means, and opportunities necessary for participation in and benefiting from intercessory wasta.

Application of Means, Motive and Opportunity Model to wasta in MENA

According to the MMO model, organizational members weigh the benefit of irresponsible behavior against the consequences. If the benefits outweigh the costs, organizational members will more than likely engage in irresponsible behavior (Finney & Lesieur, 1982).

Motives. Put simply, a motive is a reason for doing something. Having a reason to support or contribute to wasta is a complex issue that involves many factors. Managers in MENA face a competitive global business environment riddled with challenges. Foreign competition, trade liberalization, the privatization of public services, and the increasing size, role, and responsibilities of the private sector represent only a handful of examples (Al-Shamali & Denton 2000; Abed & Davoodi, 2003). Moreover, wasta increases as competition becomes more intense (Cunningham & Sarayrah, 1993). In recent years, the use of wasta as intercession has become more prominent. This is particularly true when wasta is used to seek benefits from the government or when attempting to bypass the cultures of inefficient and corrupt civil service agencies (Farouson, 1970). Moreover, the social and economic difficulties countries face provide incentives for individuals to seek fortune by doing favors (Al-Rahami, 2008) and more likely to engage in intercessory wasta.

Means. Contributing to social impact CSI requires a motive, but individuals must also possess the means necessary for acting on that motive. Values can influence how individuals perceive and interpret various situations, which can subsequently affect their attitudes regarding the means of influence (Schwartz, 1996). The cultural groups from North Africa and the Middle East are especially high in conservatism and self-enhancement which help diffuse informal influence resulting in a greater commitment to wasta (Pines & Zaidman, 2003).

Opportunity. A multitude of opportunities exist in the MENA region. Personal and professional networks often serve as a conduit that can lead to wasta. Underdeveloped legal systems and weak democratic institutions are also prevalent which reduce barriers for those interested in practicing wasta (Jamali & Walburn, 2012).

In Conclusion, the combination of the aforementioned motives, means, and opportunities embody a setting prone to wasta practices that resemble nepotism, cronyism, and rentseeking. Hence:

Proposition 1: wasta is positively related to social impact CSI in MENA nations where conservation and self- enhancement values are most strongly endorsed, where competition and corruption are highest and where institutional legal frameworks are the weakest.

Organizational Characteristics as Antecedents of CSI in MENA

There is an interesting literature on organizational characteristics as potential determinants of CSR. The tendency is that large firms engage in more CSR (Stanwick and Stanwick 1998). Similarly, the maturity of an organization has also been linked to higher levels of CSR (Navarro, 1988). The argument is that contrary to small firms that are poor in resources and management capabilities (Gonzalez-Benito & Gonzalez-Benito, 2005), larger firms are motivated to engage in CSR because of their visibility and greater exposure to public pressure (Buehler, & Shetty, 1976). Also, the older firms are the more charitable they become as they accumulate resources (Chen, Patten and Roberts, 2007). Ownership too has been linked to increasing levels of CSR. Family firms engage in more CSR initiatives than non-family (Dyer & Whetten, 2006).

Although the SME sector has been described as hard to reach (Rutherfoord, Blackburn and Spence, 2000) few studies have investigated the link between SMEs organizational characteristics and CSR in the context of the developing world. Moreover, no study has investigated the link between ownership structure and CSI in the MENA region. The following argues that because of the institutional arrangement in MENA, the very organizational characteristics that are linked with higher levels of CSR in the literature are forces of CSI in MENA.

<u>Ownership Structure</u>

Ownership is highly concentrated in the MENA region with the majority controlled by families and the government (Omran, Bolbol and Fatheldin, 2008). Individuals in a position of power are more likely to be asked to grant wasta requests and even more so for owners of family businesses since family is the primary wasta channel. The legitimacy-seeking logic of managers will entail responding to claims of external stakeholders as the success of SMEs is related to the degree of legitimacy they enjoy in the communities where they are embedded. As such, managers of SMEs and public officials will be considered as potential mediators. In these settings, because of the salient ingroup identification norm in informal sectors within which SMEs are embedded, the refusal of granting or seeking wasta will have consequences on the reputation of managers because they will be perceived as failing to deliver on duties for which the group is seem to be entitled, and consequently risk losing face (Ronsin, 2010) and legitimacy.

Proposition 2: Ownership concentration is positively related to the use of wasta among SMEs in the Middle East and North Africa.

The mediating role of wasta: After discussing the relationships between wasta and CSI, and wasta and ownership concentration, it is argued that according to social capital, the privileges of wasta as a form of favoritism, and the effects of trust, social status and relationships on the preference of business behavior displayed by managers of SMEs, ownership concentration promotes wasta which in turn promotes CSI under the idiosyncratic institutional arrangements on MENA aforementioned.

Therefor, ownership concentration as an organization characteristic becomes an antecedent of social impact CSI in the MENA region. Hence:

Proposition 3: Wasta mediates the relationship between ownership structure and CSI; managers of highly concentrated SMEs in the Middle East and North Africa are more likely to engage in social impact CSI.

The following section intends to address the gap identified in the literature review of CSI outcomes by focusing on the inter-relationship between culture, CSI, and corporate outcomes. More specifically, the paper focuses on social impact of product harm crisis resulting in civil death in the MENA region.

THE MODERATING EFFECT OF CULTURE

The Effect of Fatalism on the Outcome of CSI

Climate change has made the weather unpredictable and thereof companies have to take responsible precautions to avoid continued environmental degradation. Companies that are involved in environmentally-related CSI, in our case a product harm crisis caused by devastating wind, should suffer negative outcomes in terms of corporate image and consequently suffer economic setbacks. However, the link between CSI and corporate image could be moderated by fatalism in the sense that people will attribute the cause of death linked to weather events to divine intervention and therefore not blame the company or the managers. Theoretically, based on a combination of attribution and stakeholder theory, sociocultural determinants unique to the Arab world can mitigate CSI`s potential impact.

Product Harm Crises

Product harm crises can be understood as instances of CSI in which a defective product harms consumers or results in an impact that can range in its dimensions and severity (Siomkos & Kurzbard, 1994). These instances can result in harm to the general public, negative consumer attitudes towards the firm, a loss of short and long term revenue, and the potential for lawsuits (Reilly, 1993). At times, however, these events can be construed as ambiguous if product harm can be understood as resulting from natural events or extenuating circumstances (Laufer & Gillespie, 2004).

Attribution Theory

Attribution theory examines public perceptions of negative outcomes, and the ways in which the populace may attribute a given event to circumstances beyond a company's control. Weiner (1986) defines the principle categories of attribution theory as relating to the location or source of the cause, the stability of a product or service prior to the event, and the capability the firm had in controlling or mitigating the outcome. Studies of consumer behavior suggest that public reactions can be influenced by a variety of sociological and psychological factors (Durrheim & Foster, 1997). Studies of consumers in the Arab world also suggest that this population has a higher tendency to ascribe causes for outcome to outside or mitigating factors than Western nations like the United

States (Geerthofstede.com, 2015). For this reason, Arab consumers are more likely to attribute negative outcomes to extenuating factors, such as God`s will or influence, especially when factors like the weather have a role in events. As a result, fatalism, the belief that a higher power has an influence in the outcome of events, plays a significantly more important role than in Western cultures. Fatalism, according to Weathon (1990) attributes negative outcomes almost entirely to outside cosmic influences. For this reason, it can be posited that Arab consumer reactions to CSI-related events, such as instances of product harm crises, will be profoundly mitigated by fatalism (McPherson, 1983). Public reactions to the recent crane collapse in Mecca that resulted in 111 deaths and 394 injured can be regarded as a case in point. According to the official Saudi Press Agency of the government, the report of the accident investigation committee "concluded the absence of criminal suspicion and that the main reason for the accident is the strong winds while the crane was in a wrong position". In other words, the construction company that owned and operated the crane is not liable for the disaster caused by its employees who have ignored safety protocols. Hence:

Proposition 4: The relationship between Social Impact CSI and corporate image is moderated by fatalism. The effect of social impact CSI on corporate image is weaker in countries high in fatalism and self-enhancement value.

CONCLUSION

In order to make the MENA region more sustainable, a consideration of the factors that influence CSI in general is essential. It is clear that organization managers do not take irresponsible actions in isolation. We have attempted to look at some of the organizational and institutional antecedents of corporate social irresponsibility among SMEs in MENA so that further research may propose ways to eradicate irresponsible behavior.

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Environmental Management and Regulation

Pristine Neighborhoods, Progressive Neighbors: Toward a Place-Based Understanding of Firms' Voluntary Environmental Behaviors

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Abstract: Management research has extensively considered *who, what, when, why, which,* and *how* aspects pertaining to firms' proactive environmental strategies, yet *where* aspects have received remarkably less attention. Building on institutional theory and economic geography, we explore three place-based research questions relating social and physical attributes of a place with a firm's proactive environmental strategies. We contribute to a better understanding of the role of place in three ways. First, we find that geographic concentration of environmentally proactive firms is positively related to firm commitment in a voluntary environmental program (VEP). Second, we find that firm proximity to a sacrosanct environment is positively related to firm commitment in a VEP. Finally, we integrate these effects and find that social and physical attributes of a place have an interactive effect of firms' voluntary environmental commitment in a VEP. We address our research questions in the context of the Costa Rican tourism industry.

Keywords: Voluntary Environmental Program (VEP), Firm Environmental Performance, Place, Economic Geography, Institutional Theory

INTRODUCTION

Extensive management research has addressed questions such as *why* firms pursue voluntary environmental strategies (Bansal and Roth, 2000; Ervin et al., 2013; Khanna and Damon, 1999), *how* firms implement voluntary environmental strategies (Buysse and Verbeke, 2003; Christmann and Taylor, 2002; Hart, 1995), *when* firms are likely to implement voluntary environmental strategies (Delmas, 2002; Montiel and Husted, 2009; Prakash and Potoski, 2006), *which* voluntary environmental strategies are more effective than others (Delmas and Terlaak, 2001; González-Benito and González-Benito, 2005; Kurapatskie and Darnall, 2013), and *who* is likely to champion voluntary environmental commitment (Arora and Cason, 1995; Delmas and Montes-Sancho, 2010; Henriques and Sadorsky, 1999). In contrast, the *where* aspect, which would consider firms' voluntary environmental commitment based on the place in which the firms are located, has remained notably

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less well-understood in the extant literature (Shrivastava and Kennelly, 2013). Does the *where* aspect matter to firms' voluntary environmental strategies? Fields such as economics, sociology, and geography explicitly consider the role of place with regard to environmental management, suggesting it may. In the management literature, however, place seems to remain hidden underneath dominant theoretical perspectives on firm environmental performance. For instance, the resource-based view of the firm, a dominant theoretical lens often used to explain firms' voluntary environmental strategies, is linked to the *where* aspect at many levels. Resources are essentially tied to the context surrounding a firm, which, in turn, is profoundly shaped by where the firm is located. Similarly, institutional theory, another dominant theoretical lens used in the voluntary environmental strategies literature, highlights the ways in which firms' voluntary environmental commitment is contingent upon its social, cultural, and political contexts, all of which are tied to where a firm is located. Business strategy and the environment scholars have recently argued for deeper and broader consideration of firms' place, or geographic location, in examining their voluntary environmental strategies and overall impact on the environment (Hahn et al., 2015; Winn and Pogutz, 2013).

While a place-based approach to understanding environmental management phenomena has been popular in other disciplines, the concept of place is inherently complex (Cresswell, 2004). It may manifest in multidimensional ways, many of which remain ill-defined and challenging to operationalize. Place necessitates both physical and social attributes (Rodman, 1992), involving both built and natural environments (Shrivastava and Kennelly, 2013), thus bringing together several literatures that are rarely connected, as it comprises a geographic location, material form, and social aspects related to value and meaning (Gieryn, 2000). Such broad, perhaps indeterminate, conceptualizations have indeed stimulated inspiring thoughts among scholars, yet testable underlying research questions have rarely been developed.

This paper bridges strategy and geography to advance the emerging literature examining the role of place in firms' voluntary environmental commitment. Consistent with Schoenherr et al. (2014), we relate voluntary environmental commitment with the environmental mindset and associated voluntary activities pertaining to a firm. Primarily drawing on literatures in institutional theory and economic geography, we explore three research questions. First, we explore the effect of a social attribute of place on firms' voluntary environmental strategies. Specifically, we examine whether firms' voluntary environmental commitment is affected by firms' surrounding progressive environments – geographic areas populated by large numbers of firms pursuing voluntary environmental strategies. Second, we explore the effect of a physical attribute of place on firms' voluntary environmental strategies. Here, we examine whether a firms' voluntary environmental commitment is affected by its proximity to sacrosanct environments, areas too precious to be interfered with because of their ecological importance and sensitivity (Lai et al., 2015). Third, we explored the combined effects of a place's social and physical attributes on firms' voluntary environmental strategies. Here, we seek to determine whether proximity to a sacrosanct environment further enhances the effect of a progressive environment on firms' voluntary environmental commitment. Consequently, this paper seeks to develop and contribute to understanding the relationships between firms' neighbors, neighborhoods, and firms' respective voluntary environmental commitment.

We empirically execute this study in the Costa Rican tourism context for the following reasons. First, the question of place is especially pertinent within the tourism industry, as tourism is

inherently place-based, therefore offering an apt study context. Costa Rica's thriving tourism industry is centered around its world renowned national park system, which comprises one fourth the country's total landmass (World Bank, 2016), and prominent ecotourism sector, which promotes place through local, natural environments. Second, voluntary environmental commitment is prevalent among Costa Rican tourism firms, thus offering an information rich study context. Costa Rica's Certification for Sustainable Tourism (CST) program certifies the sustainability practices of hotels and tour operators across the country; the number of hotels attaining voluntary environmental certification increased threefold between 2000 and 2010 (Honey, 2008). Third, tourism is an important sector for environmental sustainability globally (Karatzoglou and Spilanis, 2010) and is crucial to better understanding the dynamics underlying firms' voluntary environmental commitment, particularly in developing countries that are ecologically paramount. While heavily polluting industries have received immense attention and scrutiny in the management literature, service industries, which have been referred to as "the silent destroyers of the environment," (Hutchinson, 1996, p. 14), have received less attention (Mensah and Blankson, 2013). Further, numerous studies indicate that hotels occupy a pivotal position within the tourism industry and adversely affect the natural environment (Graci, 2009; Karatzoglou and Spilanis, 2010).

This paper is organized as follows. First, we discuss voluntary environmental programs and the Costa Rican tourism sector. Second, we present a theoretical framework and develop hypotheses. Third, we describe the empirical procedures used and present our results. Finally, conclusions and recommendations are provided.

VOLUNTARY ENVIRONMENTAL PROGRAMS

Voluntary environmental programs (VEPs) have emerged as a novel approach to environmental governance worldwide (Darnall and Edwards, 2006). Prior to voluntary environmental initiatives, governments typically enforced environmental regulations through a command-and-control approach, in which they relied on quantitative and qualitative environmental protection mandates. Over the past couple of decades, however, governments have collaborated with the private sector and third-party organizations to develop and implement VEPs. VEPs generally require participating firms to adopt proactive environmental stewardship practices. Participating firms earn certification for their superior environmental performance, which they may then leverage in the marketplace (Potoski and Prakash, 2005). Participation in a VEP could allow firms to develop competitively valuable capabilities and reduce regulatory burdens.

THEORETICAL DEVELOPMENT AND HYPOTHESES

Progressive Social Environments

Firms seek legitimacy, defined as "a generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of normal, values, beliefs, and definitions," (Suchman, 1995, p. 574), by conforming to the prevailing environmental practices within their institutional field (Hoffman, 1999). In this vein, Marshall et al. (2005) found that as the issue of environmentalism gained legitimacy across the US wine industry, competitive pressures became a primary driver of proactive environmental practices among competing wineries. Greater concentration of competing firms in a population strengthens the

legitimacy of shared practices, particularly when firms deal with complexity or uncertainty (Aldrich and Wiedenmayer, 1993). Since environmental issues tend to be complex (Starik, 1995), the impact of local concentration on legitimating voluntary environmental commitment may be particularly salient. Similarly, the mimetic isomorphism perspective suggests firms are more likely to imitate firms they can easily observe (Greve, 1998).

Arguments for legitimating higher levels of voluntary environmental commitment are rooted in scholarship in economic geography, particularly those related to knowledge spillovers. Knowledge spillovers are defined as "knowledge externalities bounded in space," (Breschi and Lissoni, 2001, p. 975), and extensive research in this realm suggests that geographically concentrated firms benefit from knowledge spillovers (Boschma, 2005; Polanyi, 1966). Geographic proximity literally brings firms together, promotes information contacts and communication, and facilitates knowledge exchange (Arrow, 1992) – particularly the exchange of tacit knowledge (Storper and Venables, 2004), which is comparably difficult to diffuse over long distances (Gertler, 2003). Applying the economic geography lens, Husted et al. (2015) proposed that knowledge spillovers facilitate specialized labor pools, increase managerial interactions, and CSR competition; these scholars found that the concentration of firms exhibiting higher levels of CSR was positively related to CSR engagement of a focal firm.

In terms of VEPs, whether or not a firm participates is indeed a complex decision. However, the level at which a firm participates is likely even more complex, as higher levels of commitment to a VEP require greater levels of tacit knowledge. As argued above, a geographic concentration of environmentally proactive firms will facilitate the legitimization and knowledge spillovers essential to the development of firms' greater commitment to a VEP. We hypothesize:
H1: The greater the concentration of VEP participants in a region, the greater the VEP commitment of the firm.

Sacrosanct Physical Environments

Sacrosanct environments encompass protected areas too valuable to be interfered with because of their conservational importance, ecological sensitivity, and cultural significance (Lai et al., 2015). Firm proximity to a sacrosanct area is likely to increase institutional pressures for environmental legitimacy. Vastag et al. (1996) suggests that firms, because of their impact on the natural environment, face pressure from external stakeholders based on exogenous environmental risks, such as the ecological characteristics of the environment in which they operate. More specifically, firms proximate to protected areas face increased pressure from stakeholders and are thus more likely to adopt proactive environmental strategies (González-Benito and González-Benito, 2006).

Research in economic geography suggests that the ability of firms to develop and implement environmental strategies is significantly influenced by the surrounding environment in which they operate (Störmer, 2008). As the implementation of proactive environmental strategies often requires the formation and transfer of complex, tacit knowledge (Hart, 1995), this literature suggests that spatial proximity between firms and knowledge sources is key to the production, distribution, interpretation, and application of environmental knowledge (Gibbs, 2000). For example, Saxena (2005) found that interactions between Peak District National Park authorities and local firms triggered key learning dynamics and enhanced firms' ability to improve their environmental practices. Firms proximate to the national park had greater access to key environmental knowledge

sources and were more likely to collaborate with environmental non-governmental organizations, suggesting that sacrosanct environments, including the stakeholders that comprise them, provide indispensable sources of knowledge and influence on how to resolve complex social-ecological issues (Reed, 2008).

As such, we propose that firm proximity to a sacrosanct environment will promote environmental knowledge formation and transfer. Consequently, we anticipate that firm proximity to a sacrosanct area will be positively related to VEP commitment. Further, consistent with related socio-ecological studies, we anticipate a distance decay effect, which suggests that the effect of proximity on an actor's environmental commitment will decline as distance from the nearest sacrosanct areas increases (Martin-Lopez et al., 2007; Rolfe and Windle, 2012). Therefore, the effect we anticipate would be curvilinear in nature. Formally, we propose the following:
H2: Firm proximity to a sacrosanct environment will have a positive, curvilinear effect on the firm's VEP commitment.

Integration of Progressive Social Environments and Sacrosanct Physical Environments

Place is a multidimensional concept. While place may be partially understood by its social attributes and partially understood by its physical attributes, these varying aspects are not mutually exclusive, but are rather intertwined. Clearly, physical attributes of a place are influenced by social features, just as social attributes of a place are influenced by physical features. Thus, social and physical attributes may interact with one another. González-Benito and González-Benito (2006) propose a model of firm environmental proactivity to argue that not only does progressive firm concentration and geographic location influence a firm's environmental practices, but these factors affect the intensity of stakeholder pressures, as well as the degree to which a firm perceives these pressures. These scholars suggest that a firm's surrounding environment may moderate the relationship between a firm's perception of stakeholder pressures and environmental proactivity. In the context of the present study, this may suggest that firms' proximity to a sacrosanct area may moderate the relationship between a progressive social environment and the focal firm's VEP commitment.

This proposed effect is analogous to studies in economic geography, which suggest that physical proximity to knowledge sources is not necessarily a sufficient condition for learning to occur (Maskell, 2001); the effect of geographic proximity on learning, through spill-over benefits from firm concentration, must be considered in conjunction with other features of a firm's proximate environment. For example, although firms proximate to sacrosanct areas may identify with the aspiration to develop proactive environmental strategies, they may not have the know-how to do so. It may be that these firms lack the capabilities necessary to understand how to implement the strategies required in order to achieve greater levels of voluntary environmental commitment. Boschma (2005) explicitly suggests that geographic proximity has a positive effect on the relationships between other dimensions of proximity and a firm's strategies. This may implicitly suggest that geographic proximity to sacrosanct areas, sources of environmental knowledge, may strengthen the relationship between being situated in a progressive environment, where environmentally proactive firms are concentrated, and a firm's voluntary environmental commitment. In the context of this study, this suggests that the relationship between the concentration of VEP participants and a firm's commitment to a VEP is strengthened by firm proximity to a sacrosanct area. Thus, we propose our third hypothesis:

H3: Firm proximity to a sacrosanct environment moderates the relationship between the concentration of VEP participants within a region and VEP commitment of the firm.

SAMPLE AND METHODOLOGY

Sample

The sample selected for this study is comprised of the Costa Rican hotel sector and includes a panel of 110 CST certified hotels registered with the Costa Rica Ministry of Tourism between 2001 and 2008. Excluding the hotels that were not certified in any of the eight years, we obtained 387 observations that were included in the analysis. Due to a rapidly growing tourism sector, the Costa Rican government collaborated with private and academic institutions to develop the Certification for Sustainable Tourism (CST) program in the 1990's (Rivera, 2002; 2004). The objective of the CST program is to certify the implementation of proactive environmental practices of hotels operating within Costa Rica. The certification process is conducted by third party auditors who assess environmental performance criteria based on 160 questions covering twenty-eight categories within four sustainability areas (Certification for Sustainable Tourism, 2013). Enrollment in the program is free and certification is granted for two years.

Geographic data on all hotels and prominent sacrosanct environments (i.e. national parks, wildlife refuges, and biologic reserves) were collected using Google Maps. Because many of Costa Rica's protected areas are small and attract few tourists, this study considers only the more prominent, road accessible protected areas publicized by the Costa Rica Tourism and Travel Bureau (Costa Rica Bureau, 2013). The analysis includes thirty-three national parks, six wildlife refuges, three biologic reserves, and one national monument for a total of forty three protected areas. Geographic information regarding the entrances of all forty-three protected areas was collected and verified from multiple sources available to the public. Next, the driving distance between each hotel and each protected area entrance was calculated using Google Maps (Google Maps, 2013). Because Costa Rica does not have a standard system of addresses, not all protected area entrances could be mapped definitively with Google Maps. In these instances, the locations of protected area entrances were estimated based on publicly available information.

<u>Dependent Variable:</u> VEP commitment was coded as a dichotomous dummy variable to measure low and high levels of proactive environmental strategies. Hotels that earned one, two, or three leaves in the CST program were assigned a value of zero whereas hotels that earned four or five leaves in the CST program were assigned a value of one.

<u>Independent Variables:</u> First, the concentration of VEP participants within a region was measured as the number of CST certified hotels surrounding the same sacrosanct environment. Thus, a region was operationalized as the area surrounding each sacrosanct environment, as hotels in this context are likely to interact or influence hotels surrounding the same proximate sacrosanct area. Second, firm proximity to a sacrosanct environment was measured as the logarithm of the driving distance (measured in kilometers) between a hotel and the nearest conservation area. Thus, low values correspond with greater proximity and high values correspond with lesser proximity. Further, the measure for firm proximity to a sacrosanct environment was squared to account for a distance decay effect. Both distance and distance-squared measures were included in the model. Finally, an

interaction term was created to represent the moderating effect of proximity to a sacrosanct environment on the relationship between concentration of VEP participants within a region and VEP commitment of the focal firm.

Control Variables: Consistent with related tourism studies, hotel size was controlled for by the number of rooms within each hotel. Previous research indicates that hotel size may be positively related to performance attributes and environmental performance (Rigall-I-Torrent et al., 2011). Second, hotel quality was controlled for using categorical variables representing the number of stars the hotel had been awarded by the Costa Rican Ministry of Tourism. This quality measurement is based on international standards developed by AAA, Mobil, and Michelin (Mesa and Inman, 1999). It is important to control for quality because previous literature has suggested a link between quality standards and environmental performance (Arora and Carson, 1996). Third, the conservation area in which a hotel is located was accounted for using a dummy variable to represent regional environmental regulations. Conservation areas were established by SINAC and involve local and regional councils within each conservation area to establish environmental regulations and promote conservation, sustainability, and biodiversity within each region (SINAC, 2013). Two smaller conservation areas were excluded as they represented areas accessible only by boat.

Method

As the dependent variable concerning firms' VEP commitment is dichotomous, we use a logistic regression model. As we've included eight consecutive years of data in our sample, we use panel data analysis to explore the relationships between our dependent variables and firm commitment in a VEP; year fixed-effects consider any temporal change in our sample. The binary dependent variable y_i takes a value of 1 if the ith firm achieves a higher level of VEP commitment, and zero otherwise. This model will estimate the probability that a hotel with x_i characteristics will achieve a higher level of VEP commitment; where x_i represents the vector of explanatory variables, including the number of VEP participants within a region, proximity to a sacrosanct environment, and an interaction term representing the moderation of proximity to a sacrosanct environment on the effect of the number of VEP participants within a region on VEP commitment of the focal firm

RESULTS

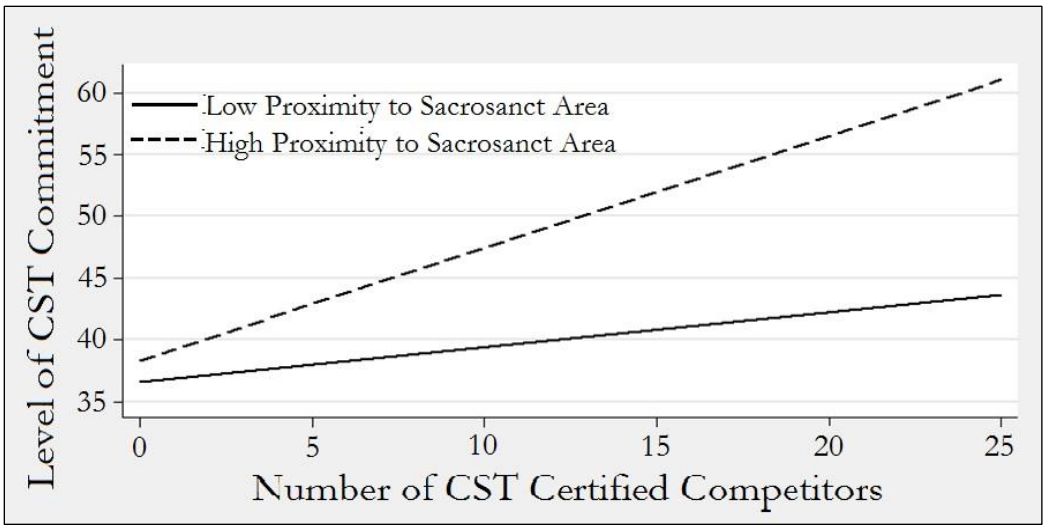
Results are presented in Table 1 above. The number of VEP participants in a region (*CST Competitors*) tested positive and statistically significant (p=0.001). This provides support for Hypothesis 1 and leads us to conclude that the greater the number of VEP participants within a region, the greater a firm's level of commitment to a VEP. Firm proximity to a sacrosanct environment (*Distance to Sacrosanct Area*) was found to have a negative and significant effect on firm commitment in a VEP (p=0.036). As proximity was measured as the physical distance between a firm and the nearest sacrosanct environment, where small measures represent greater proximity, we conclude that proximity to a sacrosanct environment has a positive effect on a firm's level of commitment in a VEP. Further, the squared distance term (*Distance to Sacrosanct Area-Squared*) was found to have a positive and significant effect on a firm's level of commitment in a VEP (p=0.002). This allows us to conclude that the effect of a firm's proximity to a sacrosanct environment weakens as distance increases, indicating that distance has a curvilinear effect. Thus, Hypothesis 2 was fully supported. In testing Hypothesis 3, we found that the coefficient for the moderation effect (*CST*

*Competitors*Distance to Sacrosanct Area*) tested negative and statistically significant (p=0.005). Proximity to a sacrosanct environment positively moderates the relationship between VEP concentration within a region and a focal firm's VEP commitment (as shown in Figure 1).

Table 1. Logistic Regression Results

Variable	***Estimate***
Main Effects	
CST Competitors	0.40**
Distance to Sacrosanct Area	-1.22*
Curvilinear Effect	
Distance to Sacrosanct Area-Squared	0.42**
Moderation Effect	
CST Competitors*Distance to Sacrosanct Area	-0.11**
Control Effects	
Number of Rooms	0.00^{+}
One Star Rating	-2.82***
Two Star Rating	-6.42***
Three Star Rating	-3.41***
Four Star Rating	-1.98***
Conservation Area 1	0.37
Conservation Area 2	-2.82**
Conservation Area 3	-0.73
Conservation Area 4	2.63
Conservation Area 5	3.11***
Conservation Area 6	19.15
Conservation Area 7	15.03
Conservation Area 8	-1.17^{+}
N Total = 387; Log Likelihood = -176.92; LR Test (χ^2) = 127.63***	
$^{+}$ *p < 0.10; * p < 0.05; ** p < 0.01; *** p < 0.001*	

Figure 1. Moderation Effect



DISCUSSION AND CONCLUSION

In this paper, we address three place-based research questions: whether the presence of a progressive social environment affects firms' voluntary environmental commitment, whether firm proximity to a sacrosanct environment influences firms' voluntary environmental commitment, and whether firm proximity to a sacrosanct environment moderates the effect of a progressive social environment on firms' voluntary environmental commitment. Results relating to our first research question suggest that the greater the concentration of environmentally progressive firms within a region, the greater the focal firm's commitment to proactive environmental strategies. Second, our study suggests that firm proximity to a sacrosanct environment will have a positive effect on the focal firm's commitment to proactive environmental strategies. Consistent with related studies, we found evidence of a distance decay effect, where this relationship appears to weaken as the distance between a firm and a sacrosanct environment increases. Finally, our results demonstrate that firm proximity to a sacrosanct environment moderates the effect of a concentration of environmentally progressive firms within a region on the focal firm's commitment to proactive environmental strategies. Put another way, social and physical attributes of a firm's place interact with one another to influence firms' voluntary environmental commitment. By providing support for the relationships between progressive environments and firm proximity to sacrosanct areas on firm commitment in a VEP, our research draws much needed attention to firms' surrounding social and physical place. Further, we suggest that institutional theory and economic geography provide constructive lenses to explore place further. Our hypotheses and results combine to construct novel and substantive contributions to literature on environmental sustainability.

With its limitations, this paper contributes to literature on VEPs, institutional theory, economic geography, and environmental sustainability. In particular, we relate our study to the rarely mentioned concept of place through empirically exploring its underpinnings. At a minimum, we hope to pave the way for future studies to refine how place as a construct is operationalized and put to more robust empirical testing. Numerous calls have been made for additional spatial analysis

(Bansal and Knox-Hayes, 2013; Husted et al., 2015) and we feel this study presents an early step in that direction. Using spatial analysis to understand the influence of place on firms' environmental strategies is critical to the field of sustainability.

As the popularity of VEPs continues to grow and as stakeholders, governments, and researchers increasingly rely on such programs to measure firms' environmental performance, understanding better the motivations of firm participation and performance becomes vital (Montiel and Husted, 2009). Specifically, we hope to unravel the influence of various environmental factors in discerning between high and low levels of proactive environmental performers. In particular, we take a closer look at a VEP to explore differences among participants, rather than assuming participants necessarily outperform nonparticipants, as has been falsely suggested in previous studies (Delmas and Montes-Sancho, 2010; Rivera and De Leon, 2004). Conceptually, we have applied an economic geography lens to explore place empirically; this is important as few management studies have considered spatial distribution and its impact on firms' environmental performance (Husted et al., 2015). Finally, our paper's novelty also emanates from a developing economy context that remains underrepresented in social and environmental responsibility research. We suggest that VEPs, and similar environmental governance mechanisms, are developed and adapted to motivate not only firms that identify with their natural surroundings but, importantly, motivate environmental commitment of firms identifying with man-made surroundings, as the latter makes up the vast majority of firms worldwide. Future research might explore effective antecedents of proactive environmental strategies among firms operating in such environments. Further, policy makers might consider these nuances as VEPs and related environmental governance mechanisms are developed, adopted, and adapted to promote voluntary environmental commitment in varying contexts. The results of this study may also show managers concerned with the sustainability of their local environment that spillover effects are positively related to the adoption of higher environmental strategies by firms operating in the same region.

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Stakeholder Issues and Theory

EMERGENCY, EMERGENCY!
Local Emergency Manager Perspectives On Partnerships With Defense Services For Emergencies

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Abstract: This case study explores local North Carolina emergency manager perspectives on Defense Support (US Military) to Civil Authorities (DSCA). We ask a) How do county emergency managers integrate DSCA to prepare for disasters, and b) What factors do emergency managers consider when integrating DSCA into response and recovery activities. The reason why this study is important is that the results provide detailed and rich data for local emergency managers, and offers possibilities to improve collaborative emergency responses between various local, state, and national emergency management agencies. Moreover, the study outcomes can help key leaders in emergency agencies to improve education and training to facilitate local emergency management through DSCA.

Keywords: Defense Support to Civil Authorities, Disaster Planning, Emergency Management, Civil-Military Relations

INTRODUCTION

This abstract describes a study about local North Carolina emergency manager perspectives on Defense Support (US Military) to Civil Authorities (DSCA). This paper is nominally related to the conference theme because it describes the intersection (crossroad) of the military and societal / governmental assets (emergency management). However, this study provides support for Andrews and Entwhistle's (2010) findings that Public-Public collaborations are more successful than other types of cross-sector (Public-Private, Public-Non-Profit) collaborations, most likely due to strong sponsorship (Bryson, Crosby, & Stone, 2006) by US local, state, and federal disaster management agencies and the US military. Based on the large body of collaborative work seeking support for the success of a wide range of collaborations amongst organizations, the authors of this paper felt that this abstract might be of interest to conference attendees.

The theoretical framework for the study begins by defining the main types of disasters. The study also defines disaster management and civil-military relations theories. These two theories help to develop and guide the research questions that are: a) How do county emergency managers integrate DSCA to prepare for disasters, and b) What factors do emergency managers consider when integrating DSCA into response and recovery activities. The purpose of this qualitative study is to

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explore how local governments request, choose and prepare for integrating military capabilities into their disaster management cycles. A ready partner for local emergency managers is the US military, which possesses a large portfolio of Emergency Support Function (ESF) capabilities (McHale, 2006; Martin, 2012). The reason why this study is important is that the results provide detailed and rich data for local emergency managers, and offers possibilities to improve collaborative emergency responses between various local, state, and national emergency management agencies. Moreover, the study outcomes can help key leaders in emergency agencies to improve education and training to facilitate local emergency management through DSCA.

Therefore, this case study explores local North Carolina emergency manager perspectives on Defense Support (US Military) to Civil Authorities (DSCA). The reason why this study is important is that the results provide detailed and rich data for local emergency managers, and offers possibilities to improve collaborative emergency responses between various local, state, and national emergency management agencies. Moreover, the study outcomes can help key leaders in emergency agencies to improve education and training to facilitate local emergency management through DSCA.

This 2014 study accessed locally available North Carolina (NC) county emergency managers (10 of 100 NC statewide emergency managers) who were willing to participate and readily accessed by the primary author. Upon completion of the content analysis of collected interviews, the study revealed six main themes that concern local emergency managers when considering the integration of Defense Support. The main outcomes include six primary themes and four sub-themes. The primary themes are:

1. specialty capabilities (what types of service, such as search and rescue, can military services lend during disaster)
2. education and training (the local emergency managers had no training about integrating defense assets),
3. coordination (the ease of coordination and the relationships the depth of current relationships with potential coordinating agencies);
4. integration (what types of Emergency Operations Centers help local emergency managers integrate DSCA assets during emergencies),
5. planning (local emergency managers are a small part of the cross-jurisdictional emergency effort), and
6. the National Guard remains the force of choice.

Additionally, four sub-themes emerged from the study. These sub-themes are important because they help identify areas impact the local emergency manager when not urgently engaged in emergency management. Those themes include:

1. hazard identification (difficulty in identifying the type of potential disasters(e.g. weather, terrorism))
2. response orientation (emergency managers are busy public servants who must divide their time between routine daily tasks and engage in intermittent tasks related to emergency management),
3. manager experience (local emergency managers learned about DSCA service coordination on the job)

4. reciprocation (feeling confident that local public services related to emergency management can obtain help from the military, and that when needed the local emergency managers dedicate resources to the military).

In order to establish the study foundation, the next section turns to the description of the pertinent literature.

LITERATURE REVIEW

Disaster Types

FEMA (n.d.) describes four categories of disasters 1) acts of God or fate theory, 2) an act of nature theory or a purely physical event, 3) an intersection of society or nature theory, and 4) an avoidable human creation and prism theory highlighting societal injustice and growing vulnerability**.** Regarding acts of God, or fate theory, Alexander (2002) and Jurkiewicz (2007) indicate that the theory assumes a fatalistic acceptance of disaster as an act of [vengeful] God, where humans are victims subjugated to God's plans, and nothing can be done—very often, those types of disasters appear to be "arbitrary and devastating" (Elliott & Pais, 2006, p. 295; FEMA., n.d.).

Similar to 'acts of God', 'acts of Nature' or 'objective phenomenon' theory suggests that no one is responsible or accountable for disaster impacts, the acts are considered by most to be random, accidental, and part of a natural rhythm of life (Tierney, Lindell, & Perry, 2001; Von Kotze, Holloway, Dworkin, & Holmes, 1999). Both acts of God and acts of Nature can include disasters such as earthquakes, flooding, and the like. The main difference in the two categories is that the first is an act of retribution and the second is just the acceptance that nature is taking its course. The 'acts of nature' theory can be misleading because it implies human actions do not contribute to disasters—the theory does not account for humans who build in flood plains, practice poor farming techniques, or overload ecosystems (Tierney et al., 2001).

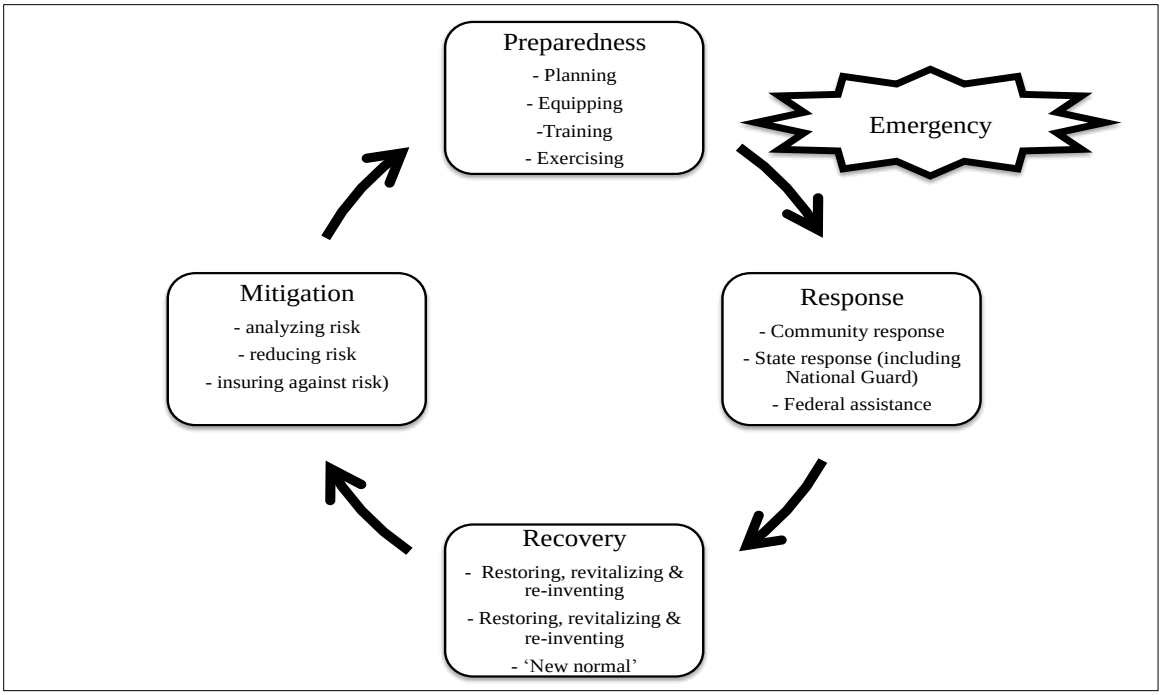
However, when humans are involved, the 'intersection of society and nature theory' links those human interactions to disasters. Often, these type of disasters are blamed on God or Nature and humans remain largely irresponsible for disasters (D. Mileti, 2001). However, there is often clear linkage of human interactions that create large-scale disasters. An example of this type of disaster is the British Petroleum Oil Spill, which is characterized as "the largest and most ecologically damaging releases of oil in North America" (Gill, Picou, & Ritchie, 2012, p. 3).

The avoidable human creation and prism theory through social injustice suggests that the poor are the most vulnerable to disaster because of poor socio-economic positions, which creates a lack of access to innovations and resources that mitigate disaster impact by mitigating the effect of acts of Nature. The general idea for this type of disaster claims that if humans live and build thoughtfully, and equally, then the magnitude of disasters can be lessened (Duran & Ingleton, 1999; Tobin, 1997). Having described the different types of disasters, the paper turns to briefly describing disaster management phases, which are vital for overall disaster preparedness.

Disaster Management Phases

Several authors (D. Alexander, 2002; 2007; Baird, 2010; Blaikie, Cannon, Davis, & Wisner, 2014; Fothergill & Peek, 2004; Messer, 2003; D. Mileti, 1999) agree that disasters occur as cyclical events. The four phases of emergency management (preparedness, response, recovery, and mitigation) guide all levels of emergency managers in disaster planning. The preparedness phase addresses the need for planning and coordination. Figure 1 indicates that disasters occur between the preparedness phase and the response phase. The response phase indicates all activities related to how communities (local, state, and federal) respond to a disaster. The recovery phase includes the social response to disaster and can include activities such as rebuilding, revitalization, and creating a return to 'normalcy.' The mitigation phase is assesses the planning, response, and recovery phases and seeks to analyze and mitigate future risks (Messer, 2003; Vasilescu, Khan, & Khan, 2008). The disaster management phases are integral to understanding how the study participants create their emergency plans. Because the study looks at how local emergency managers integrate defense resources as part of disaster response and recover, the next section briefly reviews civil-military relations theories.

Figure 1. The four subsystems of the Disaster Management Cycle



Civil-Military Relations

Civil-military relations theories frame the interaction among states, the institutions of that state, and the military (S. Huntington, 1957; S. Huntington, 1961; Janowitz, 1960; Kohn, 1994, 1991; McGrane, 2010; McHale, 2006; Owens, 2011, 2012). There are three primary perspectives on civil-military relations: Huntington's Liberal theory, Janowitz's Civic-Republican theory, and Feaver's

Agency theory. In short, these theories argue that reliance upon military assets for use in civil defense should be applied by keeping certain criteria in mind. First, Huntington's (1957; 1961) work establishes the groundwork for civil-military relations by arguing that when the [US] military is professionalized the military will act as an integrated unit within the bounds of societal norms. This professionalization of the military (training integration that helps military officers respond responsibly to social needs) minimizes the need to place legal and institutional restrictions on military autonomy.

Second, Janowitz (1960) extends the work of Huntington by advocating for professional participation or convergence among the military and civilian spheres and his theory describes the four P's of pragmatism that help guide civil-military relations: 1) practical, focused on problem, thinking, action; 2) pluralistic, focused on diversity of perspectives; 3) participatory, engaging in discussion and listening; and 4) provisional, involving flexibility learning from actions and change when necessary. Most importantly, Janowitz holds that in recent modern times, the military has transformed from an absolute 'defeat of enemy forces' model, to a constabulary model, where forces organize and apply limited force to achieve objectives determined by society.

Finally, Feaver and Feaver and Kohn (Feaver, 1998, 2005; Feaver & Kohn, 2000), write that principals get agents to do what they want them to do, using varying degrees of monitoring. Important to disaster management is when the agent (the military) complies with the principals' (civilian leader) preferences such that the agent is "working" for the principal (Feaver, 2005, p. 55). Feaver (2005) posits that when civilians establish measures to monitor military behavior, the monitoring forces military leaders to respond appropriate to the situation or face possible punishment from civilian leadership authorities. All these theories, when combined, lend support for the notion that military assets, when properly trained and mobilized, should be sought out and integrated in the US disaster management cycle at the local, state, or national levels of society and government.

METHODOLOGY

This section discusses the instrument, study population, the sample, the instrument, and the analysis. The target population for the proposed study was the 100 full time county emergency managers in the state of North Carolina. The sample was 10-seated county emergency managers from the state of North Carolina (10 % of the study population). The choice of emergency managers, for this 2014 study, came about because they were locally available and willing to give some of their time to the study. The participants were asked questions to help provoke comprehensive answers for the study objectives. Those questions, developed from an in-depth literature review, are included in Appendix A.

Data collection consisted of observer notes, artifacts, government reports (to include plans and statements on county websites), journal articles, and subject matter expert statements using Yin's (2009) case study methodology and Qualitative Content Analysis methods (Schreier, 2012). One-on-one interviews were conducted, and digitally recorded, using a standardized interview guide, within the offices of local emergency managers. The format allowed respondents to describe how they integrated DSCA for disaster preparation and what factors they considered when integrating DSCA into response and recovery activities.

The interview data was analyzed first by transcribing digitally taped interviews. The primary investigator used different types of coding categories (e.g. context, perspectives, processes, activities, events, and relationships) in keeping with Bogdan and Biklen (2003) and grouped themes using Yin's (2009) simple pattern matching and are presented in the Results section.

RESULTS

In summary, data revealed six themes, identified in rank order based on the number of times the theme was mentioned (replication). The primary themes, as noted in the Introduction include: (a) specialty capabilities; (b) education and training; (c) coordination; (d) integration, and (e) National Guard as the force of choice. Additionally, four sub-themes emerged: 1) hazard identification, 2) response orientation, 3) manager experience, and 4) reciprocation. Participant responses for the question "What factors do emergency managers consider when integrating DSCA into response and recovery activities" produced five criteria about what to consider when integrating military capabilities. They were: (a) incident type, (b) mission, (c) personnel, (d) specific capabilities, and (e) proximity to military installation. Additional findings suggest that county emergency managers are: (a) largely unaware of military DSCA capabilities (90%); (b) are confused by DSCA policies and guidelines (70%); (c) possess different levels of understanding about integrating DSCA into local emergency management plans (80%), and (d) do not consider planning for the integration of military capabilities is their jobs (90%).

Other outcomes of this study include the corroboration of the intuitive conditions: local emergency managers are response-oriented and weather-related hazards are the principle threats in participating counties. The findings revealed eight of 10 (80%) of the managers are not integrating military units into their plan and response policies, which could better prepare them for a disaster. There are three reasons that military assets should be used within the disaster management cycle. First, military assets are a well-trained and professional force that is cognizant of its role in society and the force can be monitored and sanctioned at the public level. Second, state governors have the authority to mobilize forces with little interference from Federal authorities for more immediate disaster response, and finally, in the case of National Guard forces, National Guard soldiers are often mobilized within the very communities in which they live and work at civilian jobs.

The study results are consistent with current disaster management research reflecting:

a. the importance of a multidisciplinary approach to the aspects of disaster management (E. L. Quarantelli, 1987; Enrico L Quarantelli, 2000)
b. the legal nature of the phenomena (Brinkerhoff, 2009; Langowski, 2008)
c. the extensive capabilities of the National Guard and active duty military (Jacoby & Grass, 2013; Link, Montes, & Schultz, 2013)
d. the lack of a universal paradigm disaster managers can reference to plan for and integrate DSCA into their local disaster responses (Lee, 2013; McEntire & Marshall, 2003).

FUTURE STUDY DIRECTIONS

Future research should build on this study's findings by examining emergency manager's decision-making processes; military and civilian support structures (i.e., coordinating organizations, how-to literature, and case studies), public policies, and social interactions (i.e., learning and using trust and reciprocation for public good). Understanding the aforementioned themes, public safety officials, practitioners and scholars should prioritize emergency planning to include military units and ensure training materials are current, relevant, and contribute to increase preparedness.

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APPENDIX A

The sample set of emergency managers were asked the following questions in an attempt to answer the research questions:

- Approximately how long have you been in your present job position?
- Approximately how long you have been in a position where you have had some type of leadership role related to emergency preparedness, response and management?
- How far is the nearest military installation to your jurisdiction?
- What types of DSCA drills, exercises, or disaster responses have you experienced?
- How did you gain your understanding of defense support to civil authorities? (Adapted from Milliman et al., 2006)
- Do you understand the processes involved with integrating military capabilities into a response?
- What factors do EMs consider when deciding to integrate DSCA into response and recovery operations?
- What types of military response will you request to assist your population and response agencies?
- Are you confident there would be effective coordination between civil authorities and military authorities during a disaster? What makes you think this will happen?
- What addition points about DSCA or asset integration you would like to make?

Corporate Social Responsibility and Performance

Considering the Power of "Social" in Corporate Social Responsibility (CSR): Power as Enabling Pre-Condition for Meaningful CSR in Alabama's Poultry Industry

Eli C.S. Jamison[1]

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Abstract: This paper was presented as a workshop session and considers how preexisting contexts of power inhibit or enable firm corporate social responsibility actions when the issue is a hotly contested social and political issue: immigrant labor in the American South. This research examines the impact of the passage and implementation of the 2011 Alabama Immigration Law on the state's poultry processing industry through a discourse and content analysis. By using an adaption of Clegg's Circuits of Power theory, the intersection of economic identity and political influence of the state poultry industry is analyzed within the power flows of Alabama's economic network. This work is part of a broader study and contributes to CSR literatures through a focus on the role of pre-existing conditions of power on firm effectiveness in achieving CSR outcomes.

Keywords: Power, Corporate Social Responsibility, Firm Identity, State Politics, Immigrant Labor

INTRODUCTION

Firm engagement in corporate social responsibility (CSR) has been examined from an ever-expanding set of angles. The literature explicates CSR definitions, measures, reputation and the moral obligation of firm engagement with CSR and has considered the impact of CSR on financial outcomes, firm size, market share, regulatory controls, sustainability, and its potential to provide a public good – to name a few (2006; Carroll, 1991, 1999; Idowu & Louche, 2011; Lee, 2008; Lepoutre & Heene, 2006; May, Cheney, & Roper, 2007; McWilliams & Siegel, 2001; Milliman, Ferguson, & Sylvester, 2008). I suggest that an unexamined assumption is evident in many CSR studies: that firms have control over attainment of desired CSR outcomes. In other words, the literature often frames the challenges to CSR policy implementation as one of a firm commitment to the actions necessary to creation, management, enforcement, and maintenance of CSR goals. Previous studies leave unquestioned a firm's ability to autonomously implement CSR action once the "corporate will" is established. However, little attention has been paid to the conditions under which a firm acts or wants to act to honor their CSR commitments but is thwarted by existing conditions of power. Put differently, a firm's social embeddedness creates power conditions that impact its capacity to act.

This paper examines how the economic identity of the Alabama poultry processing industry became fragmented across prevailing discursive structures used by state-level power brokers contributing to

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the politically marginalization of a historically strong and robustly represented industry with regard to the protection of immigrant labor in 2011. Through this case, I explore the limits to economic power, and thus CSR policy implementation, when an industry's strategic identity becomes fractured among relevant power brokers leading to being positioned outside relevant power networks. This case is particularly illustrative of limits to firm CSR action as this issue sets economic influence in opposition to a hotly contested social and political issue: immigrant labor in the American South.

Clegg's Circuits of Power guided a discourse and content analysis on data collected from 16 semi-structured interviews with relevant Alabama "power brokers," official state websites and documents, and public statements. This work is part of a broader study that analyzes the intersection of political, social, and economic factors that impact firm action with regard to CSR. It seeks to expand the CSR literature in two ways. First, it offers a new way to consider the contextual conditions impacting CSR action by using a lens of power. Second, it pushes CSR research further into issues of social justice by considering limits and possibilities of firm action for immigrant labor. The next section is a brief background on Alabama, Poultry, and its Immigration Law in 2011, followed by a discussion of the Circuits of Power model, then study findings, and concludes with a Discussion including the study limitations and future research directions.

ALABAMA, POULTRY, AND ITS IMMIGRATION LAW

In Alabama, poultry matters. After all, the poultry industry touts an impressive list of economic achievements. Alabama is the third largest broiler (broiler = young chicken) producing state in a nation where the consumption of poultry has skyrocketed in recent decades, and the poultry and egg industry generates over $15 billion a year for the Alabama economy. In 2013, poultry was the number one commodity in Alabama earning 60% of all agricultural revenue in a state where agriculture already accounts for more than 20% of the state's jobs and more than 40% of Alabama's $174 billion economy (Ernst, 2014; Fields, Guo, Hodges, & Rahmani, 2013; Fuller, 2012; Striffler, 2005). The state's poultry industry employs over 86,000 people, often in rural outreaches where other employment options are limited. Furthermore, approximately one-third of the state's counties rely to some degree on economic activities connected to the poultry industry. When juxtaposed against Alabama's Department of Commerce's (ADOC) proud claim of having "one of the top five business climates in the country," poultry is a success story for Alabama as a business that matters (Alabama Department of Commerce, 2013a; AP&EA, 2014). At least, it seems like it should matter.

On June 2, 2011, the state of Alabama changed the economic and political landscape for employers of immigrant labor. Alabama passed what was widely regarded as the harshest, some say "mean-spirited," and detailed immigration statute in the United States, Alabama Immigration Law - Act No. 2011-535, also known as the Beason-Hammon Alabama Taxpayer and Citizen Protection Act. (2011a; 2011b; Berry, 2011; Fausset, 2011). The Alabama legislation, frequently referred to as H.B. 56, had one goal: to make life in Alabama completely untenable for a person living there without legal documentation. H.B. 56 criminalized anyone lacking legal immigration status that engaged in any business transactions and made it illegal for legal residents to support suspected undocumented individuals. H.B. 56 immediately evoked waves of national support and opposition and engendered multiple lawsuits that effectively overturned this statute by 2013, but not before tens of thousands of individuals fled the state in 2011 with enormous economic cost to Alabama (Addy, 2012; Constable, 2011; Holland, 2013).

Markedly absent from this widespread public outcry was the voice of Alabama's poultry processing industry. The public silence from Alabama's poultry processing industry seemed exceptional given that nationwide estimates suggest 35-50% of all poultry industry employees are Latino (Fuller, 2012; National Council of La Raza, 2012). Furthermore, major poultry companies in Alabama had publicly committed themselves to the safety of their employees through social responsibility statements.

Alabama's business community generally, and poultry processing particularly, did not voice their political objections to H.B. 56 in public forums (e.g, media outlets, etc.). Instead, they relied on long-established backchannel political networks that had previously provided efficacious access between Alabama's politicians and its business community for most of the twentieth century. Until 2011, when agribusiness actors needed legal action, the existing relational network consistently delivered desired political outcomes. According to Ray Hilburn, Membership Director of Alabama Poultry & Egg Association (AP&EA), AP&EA voiced their objections to the proposed statute through existing closed door, political networks. Hilburn emphatically explained:

"Oh yeah, we knew that was what was going to happen. You think about if you were in a foreign country, and they were passing some kind of law. You would want to get out of there. I don't care if you knew you were legal...So, that is what we warned them against. We [the poultry industry] do everything [the Alabama government] want us to do. We e-verify these employees. We take taxes out on them... But, we knew that was coming, and… we lost good, legal workers because they were just intimidated by this law."[1]

Despite these long-standing relationships, poultry's labor concerns carried little sway with state politicians. Ultimately, poultry processors' were ill positioned to successfully lobby against the law in the context of prevailing anti-immigrant sentiment. U.S. immigration policy is a deeply contentious topic evoking deep emotion many U.S. communities: arguably, no greater reaction than from the small, rural communities across the U.S. South (including Alabama) that human geographers have identified as the "Nuevo South." (Massey, Durand, & Malone, 2003; Mohl, 2002; Winders, 2011).

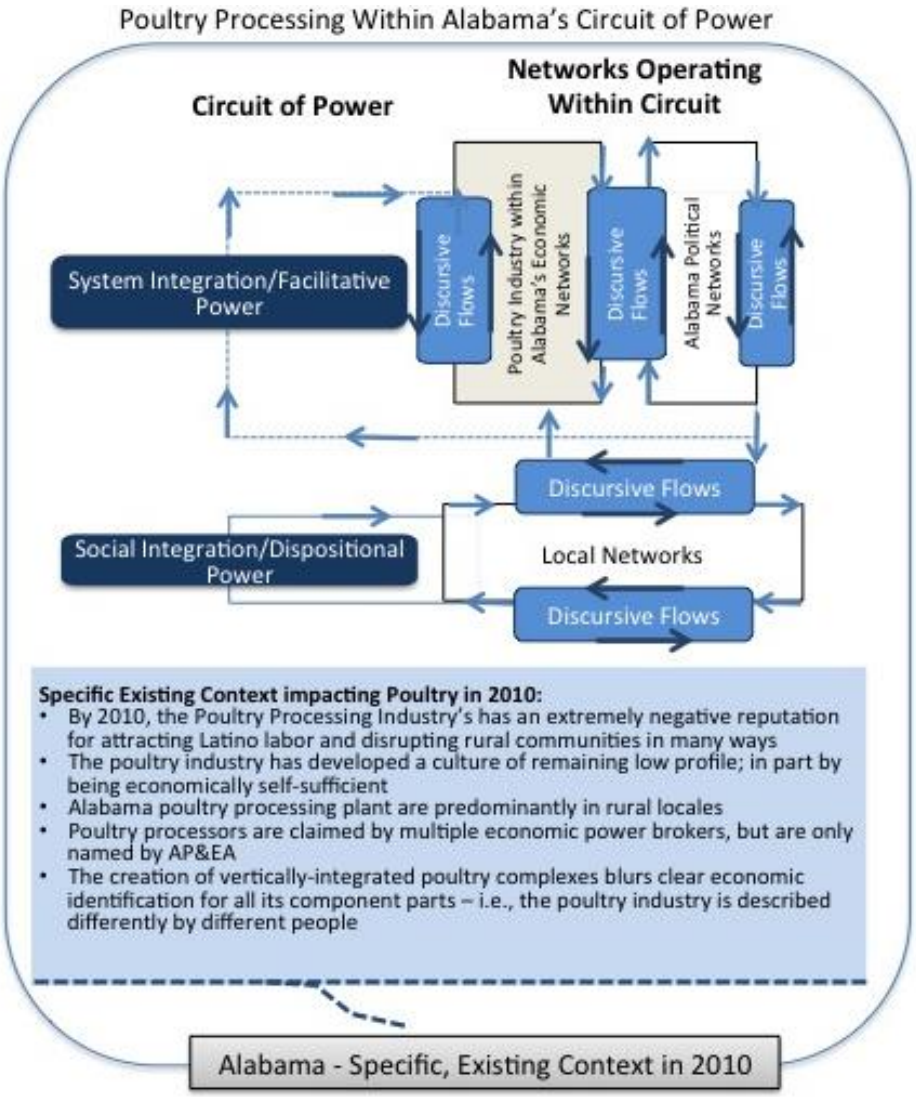
In 2011, the poultry industry discovered that its relationship with Alabama lawmakers was not what it had been, and insufficient to sway politicians on an issue of volatile social import.

CIRCUITS OF POWER

The primary theoretic lens guiding this work is Clegg's Circuits of Power model (Clegg, Courpasson, & Phillips, 2006; Clegg, 1989). The Circuits of Power model provides a framework to conceptualize and analyze discursive flows of power within those Alabama networks relevant to the economic identity of the poultry processing industry. Clegg's model operationalizes a Foucauldian, poststructuralist conception of power that includes individual and organizational identities. Clegg's model has been adapted to a variety of contexts to consider the role of power in systemic circumstances (Davenport & Leitch, 2005; Hutchinson, Vickers, Jackson, & Wilkes, 2010; Mahadevan, 2012). One strength of the model is its intentional inclusion of specific context when analyzing the operations of power; a particularly relevant attribute in this case because poultry's economic identity and diminished political sway resulted from a slow shift in discursive context.

The circuits of power model reflect Clegg's conception of power as the variable outcome of the organization of social relations. Power therefore only exists within "a relational field of force," and agents only "'possess' power in so far as they are relationally constituted as doing so" (1989: 207). Consequently, power is not ubiquitous within a system, but rather, episodic and contingent in specific social relations. As will be discussed in the Findings, the fragmentation of poultry's economic identity created spurious social relations with relevant Alabama power brokers. A visual adaptation of this model as applied to the Alabama circuits of power is provided in Figure 1. Alabama's Circuits of Power.

Figure 1. Alabama's Circuits of Power



This contingent conception of power manifest in the changed poultry industry's economic identity in response to Alabama's new strategic priorities and assumptions about industrial categories. These (and other) unexpected episodes of power in Alabama's economic, social, and political networks changed the routing of previous power channels that had been in place for decades. Collectively,

changes in power relationships within each circuit led to new system rules and meanings (and law); rules that prevented the influence that the poultry had previously enjoyed (Clegg et al., 2006). Poultry became relationally positioned outside the relevant circuits of power.

Clegg's model includes three Levels of Circuits, three Types of Power, and Obligatory Passage Points (OPPs). The terms OPPs and discursive flows will be used interchangeably in reference to this model. The three levels of circuits are: Agency, Social Integration, and System Integration. Each circuit refers to a different level of engagement in the system of power (from micro to macro); yet, no circuit is ever operating independently of the other two. In Figure 1, the OPPs (and the associated power brokers) are envisioned as within the discursive flows. Discursive flows are spaces within and between networks where discursive formations (e.g., media, strategic goals, "self-deportation" rhetoric, historical relationships, reputations, etc.) enter and either move through with little change or are met with resistance, and become transformed into new meanings or rules (or laws) within the context of existing social relations. At these points, certain social relations within the system are enhanced or degraded in their influence (Clegg, 1989). I deploy the term "Power Brokers" to identify agents (individual or organization) who possess the power to empower or disempower particular discourses (and their agents) within Alabama's interdependent OPPs.

In my adaptation of the model, the discursive flows are embedded in a "Specific, Existing Context." This context accounts for exogenous environmental contingencies that may exert influence on the dispositional and facilitative circuits of power (e.g., a national discourse of "self-deportation" or a global recession) (Clegg, 1989). Clegg's frame guided the data analysis, as well as where and how to locate the relevant agents within the Economic Network. One example occurred in a 2010 meeting between a poultry processing manager from Albertville and his Republican State Senator Clay Scofield (a state power broker). The manager requested the meeting to discuss the negative labor implications of H.B. 56,[2] and that meeting created a new discursive flow (OPP). This OPP was within the Agency-level (interpersonal) circuit. The manager hoped to exercise causal power over the political system through Sen. Scofield (i.e., persuading Scofield to create change key elements of H.B. 56). Instead, this OPP resulted in disempowerment, as Scofield did not carry forward a defense of poultry processors arguments, but rather, staunch advocacy for the policy of self-deportation. In this example, the poultry industry representative was "disciplined" within an OPP in the local network, preventing access to and influence on the interconnected social integration and system integration circuits where H.B. 56 was debated, passed, and ultimately implemented.

FINDINGS

These findings present two interconnected discursive structures that created a context that made poultry representatives vulnerable to being disciplined within the circuits of power: 1 - the economic classification of the poultry industry within the Alabama economic network, and 2 - the assumptions by key power brokers explicitly tasked with representing the political interest of poultry. The broader study found a third factor, the legacy of agriculture and poultry processing's corporate reputation; however, that falls beyond the scope of this work.

The Alabama business community is increasingly divided between agri-businesses and high technology industries with their different labor needs. These industries also receive different priority from Alabama's contemporary political and economic power brokers. The poultry industry has

moved into an economic "blind spot" in Alabama, with its economic actors bridging both the agricultural and manufacturing sectors. A further complication for poultry processing is the state's desire to leave behind its agricultural legacy in favor of higher technology economic actors. In recent years, the state's economic development office has emphasized its interest in expanding high-tech and manufacturing industries and new global business partners (i.e., not poultry) by helping to realize an increase in such positions from 5% to approximately 10% of Alabama jobs during the last five years (Kavilanz, 2012). Less public attention has been paid to Alabama's traditional, agri-business base, which is often perceived as backward or retro, despite its economic contribution.

Despite its lengthy history as an agrarian economy (Shell, 2013), contemporary Alabamian politicians and business representatives seemed reticent to claim agriculture-related production as an important economic driver. When claimed, it appeared almost as an afterthought, and consistently after first referring to industry from Alabama's burgeoning high-tech research or manufacturing sectors. For example, I asked someone familiar with state-level politics and business lobbying about where to "put" the poultry processing industry in the Alabama economic picture, and in so doing I mentioned that AP&EA placed it in Agriculture Sector. The response:

"Hmm…Because that is interesting…I mean I would classify that as a manufacturer like you said, but I do see how it could be tied into [the agriculture sector]….Yeah, the agri-business, agriculture, you know it still has…it is probably one of the largest sectors of Alabama. I know there is data out there on that as well. You know, most people don't realize this, that are not from here, [but] Alabama produces 850,000 automobiles annually.[3]"

This quote is illustrative of two key points. First, the question of how to categorize poultry is always in play. Second, this comment is typical of the kind of re-direction I observed in conversation and in other public sources that shifts away from the discussion of the importance of agriculture-related business and toward the smaller, but growing, "high tech" and "clean" manufacturing industries of Alabama such as automotive and aerospace. The distinct impression is that Alabama's power brokers (economic and political) consider agriculture an industry of its past, not of its future.

One contributing factor to this contradiction is the challenge of delineating *who* thinks *what* industry belongs in *which* of Alabama's economic sectors. When economic versus agricultural actors are asked directly about role of poultry processing in the state and local economies, (as reflected in the literature, reports, and interviews) they consistently provide a convoluted response reflecting these discursive disparities (2013; Alabama Department of Commerce, 2013a, b; Crew & Runge, 2000; Fields et al., 2013; National Association of Manufacturers, 2014) Poultry processing poses multiple challenges to sectoral classification as a vertically integrated, food production industry. Vertical integration implies "that all or most production aspects are owned and controlled by an individual company called an 'integrator'" to include hatcheries, feed mills, and processing plants and outsourcing only a few steps in the process (such as the poultry farmer) that turns an egg into a broiler (UGA Extension, 2014). This integrated process makes it difficult to "fit" the entirety of poultry complexes within the strategic economic naming structures.

A variety of discursive traditions offer naming structures for the Alabama economy. This work examines the constructs from three public sources created by two different, significant, Alabama entities. The first is The University of Alabama's (UA) Center for Business and Economic

Research's (CBER) annual *Economic Outlook*. The other two sources are published by the Alabama Department of Commerce (ADOC); its official website and its 2012 strategic planning report. Data from these sources are compared in Table 1: Competing Discursive Structures Framing the Alabama Economy. Both of these organizations were referenced in news reports (Carter, 2012) and by interviewees.[4]

Each year, CBER projects Alabama's economic well being through their econometric model, and each January, publishes an *Economic Outlook* report. This report is an analysis of select economic indicators, primarily employment and GDP, drawn from its own collected data as well as from national data sources. CBER uses this to make an economic forecast for the next fiscal year. The organizing principle of this report is consistent from year to year and its topic headings are organized by "Major Sectors of the Alabama Economy" (see Column 1 Table 1). The CBER report is intended to help attract new business and inform existing business strategies by anticipating the Alabama economic climate for the coming year.

The ADOC is influential in Alabama's business and economic development community and frames the understanding of Alabama's existing business climate within the state. In 2012, the ADOC released a report entitled "Strategic Economic Development Plan" (SEDP) delineating twelve "Target Industries." These twelve industries became the basis around which the ADOC now organizes its efforts to attract, maintain, and develop the state's business community. These Industries are organizational frame for its webpage. Table 1 lists the "Target Industries" in the order of their appearance in both the ADOC'S public report (Column 2) and on its website (Column 3).

Table 1: Competing Discursive Structures Framing the Alabama Economy

CBER	Accelerate Alabama: Strategic Economic Development Plan (SEDP)	Alabama Department of Commerce Website (ADOC)[2]
Manufacturing *Nondurable Goods** Durable Goods	Advanced Manufacturing: Aerospace/Defense Automotive *Agricultural Products/ Food Production** Steel/Metal *Forestry Products** Chemicals	Aerospace
Construction		Automotive
Wholesale Trade		Bioscience
Retail Trade		*Forest Products**
Information		Metal Manufacturing
Finance, Insurance, Real Estate, and Rental and Leasing		Distribution
Professional and Business Services	Technology Biosciences Information Technology Enabling Technologies	Information Technology
Educational and Health Services		Chemicals
Leisure and Hospitality		*Food Products**
Natural Resources and Mining	Distribution/Logistics	Enabling Technologies
Transportation, Warehousing, and Public Utilities	Corporate Operations	Corporate Operations
Government		Cyber Security
*Agricultural Services, Forestry, and Fisheries and Farming**		

SOURCES: (2014c; Addy, Ijaz, Trent, Gabler, & Law, 2012; Boyette Strategic Advisers, 2012)

[1] All categories are listed in the order they appear in their original documents.
[2] In full screen, categories appear as a 4x3 table and are listed here as though reading left to right.

The bolded and italicized titles in Table 1 indicate that some portion of Alabama's agribusiness is included. The different stages of the poultry processing industry are located within different cognitive categories. CBER breaks the vertically integrated poultry processing industry into different component parts. Essentially, all processes from the point a chicken enter a plant to become meat or a meat product is positioned within the Nondurable Goods manufacturing category. All steps prior to this point (e.g., contract farmers) are organized into the separate sector of Agricultural Services, Forestry, and Fisheries and Farming. However, the 'Target Industries' of ADOC treats agricultural-related businesses significantly differently. In the SEDP and on their website, the ADOC separates 'Forestry' and 'Forest Products' from 'Food Products.' On the ADOC website (arguably the most public face of the department), the separate identification of 'Agricultural Products' disappears entirely, and the entirety of the poultry processing complex is bundled as 'Food Products.' This classification scheme essentially erases the rhetorical connection of agriculture (and therefore farmers) to the Alabama economy. Even in the CBER scheme, the category explicitly encompassing Agricultural production is listed last despite the economic magnitude of these combined industries. CBER cites no reason for this ordering,[5] and it closely mirrors the coding structure used by the national Standard Industrial Classification (SIC) for the poultry industry; one code agriculturally focused and another manufacturing focused (2014d). Though no explicit rationale is cited, this ordering mirrors the conceptual priority system that interview respondents reflected, with highest economic priority given to high-tech industries engaged in "clean" manufacturing. Most importantly, this comparison demonstrates the way the poultry industry is publicly fragmented across multiple economic classifications of agriculture, manufacturing, and food production.

Marking how the classification scheme fragments the poultry industry is significant because fragmentation changes how economic impact or projection is reported, as well as which power brokers assume political responsibility for an industry's interests. Power brokers representing the political interests of "agriculture" are different from those that represent the political interests of Alabama's "manufacturers," and this has consequences in representation for poultry complexes. For instance, the Business Council of Alabama (BCA) represents poultry processors as part of Alabama's manufacturers, but BCA does not represent poultry farmers because they are an agricultural business, and therefore another association's concern.

With regard to an industry's economic argument (i.e., how much does it contribute to a particular economic sector), consider this example. This statement is prominent on the homepage of the AP&EA: "Poultry in Alabama generates more than $15 billion in revenue each year. It accounts for an astounding 65.6% of annual farming revenues and employs more than 86,000 workers on farms, processing plants, and in allied industries." (2014) To reach this number, AP&EA uses all components of the poultry complex in its calculation and does not deconstruct the vertical integration strategy. However, the ADOC Food Products Industry webpage diminishes the economic contributions of industry by dividing it into two reported categories, making a specific dollar attribution to this industry difficult to identify (2014a; 2014b). By fragmenting the industry's total economic impact, the argument made by power brokers for the economic importance of poultry to the Alabama's overall economy is discursively diminished, as each broker only promotes its economic "section." How power brokers "understand" poultry matter in that they ultimately

frame the economic discourse presented to lawmakers. However, multiple human players embedded in different local contexts - from local chicken farmers and politicians to state-level business people and giant corporations like Tyson Foods- all conceptualize poultry processing differently as an economic entity. The conceptual framing and placement of poultry processing in the Alabama economy matter because they impact how poultry processing's economic impact is measured and whose voice is perceived as representing the poultry industry to political decision makers across the state.

Dominant, state-level power brokers representing the poultry industry are listed in Table 2. Official Politics of Poultry: Power Brokers, with a brief description of their primary constituents and statement of their organizational goals as gleaned from interviews with representatives and public websites from each organization. These political actors were tasked, in some way, with representing the political interests of the poultry industry to Alabama state lawmakers in 2011.

Table 2. Official Politics of Poultry: Power Brokers

Organization	Constituents	Stated Goals/Vision
Alabama Poultry & Egg Association (AP&EA)	Poultry Growers, Poultry Companies, Allied Industries (those who sell to poultry companies) within Alabama	Promotion and education of and for the Poultry Industry in Alabama. Enhance communication between poultry industry players
Alabama Farmers Federation (Alfa)	Farmers and Rural land owners in Alabama, and other Alfa members (e.g., insurance customers through the Farm Bureau.)	"The Voice of Agriculture" as a multi-commodity organization in Alabama
Alabama Agribusiness Council	Agribusiness leaders and organizations	Umbrella organization to "advocate, enhance and promote" all aspects of agribusiness in Alabama.
Business Council of Alabama (BCA)*	Member companies and local Chambers of Commerce – publicly emphasizes small business members in Alabama	Improvement in Alabama's business climate and serve as "the voice" for all Alabama Business.
Chamber of Commerce Association of Alabama (CCAA)*	Chambers of Commerce, their executives and staff, and members of business and community organizations directly serving chamber of commerce work in Alabama.	Advocacy, professional development, and communication of key issues impacting local business community. Seek to strengthen Chambers of Commerce across Alabama.

* These organizations established a formal partnership called "The Partnership," at the state level, in 2003.

Table 2 demonstrates that only AP&EA represent the entirety of the poultry industry. Assumptions about who would do what, and for whom among the power brokers in the advocacy process left "holes" in the political voice and timing of opposition to H.B. 56 as written. Generally, the broader Alabama business community was aligned in its opposition to H.B. 56. Multiple interviews revealed that business advocates representing multiple business sectors were actively, opposed to this bill as originally for some combination of the following three reasons. First, business were concerned about the undue administrative and financial burdens it placed on all businesses, specifically disadvantaging small business. Second, state-based immigration law placed Alabama at a competitive disadvantage with its neighboring states (who did not pass similar laws). Third, it made Alabama look bad and that is bad for business. This reason was frequently connected to the reputation Alabama developed in connection to its racial intolerance during the Civil Rights era. While additional reasons for opposition were also cited, interviewees suggests that these three were the

dominant narratives taken to the statehouse on behalf of Alabama business.[6] However, no power broker spoke to the anticipated impact specific to the poultry industry, except for AP&EA. However, because they speak for poultry farmers as well as the processors, they too fall into the discursive economic divide. Ultimately, the economic ramifications to this industry were largely underrepresented in their advocacy to political representatives (Addy, 2012).

DISCUSSION

In 2010, Alabama's poultry industry was embedded in a state economic network within which poultry processing actors were no longer relationally constituted to effect political change on behalf of their Latino labor. Further, this shift was a relatively new phenomenon that can be linked to an accumulation of divisions of the identity of the poultry industry among multiple publics. By 2011, the poultry processing industry was located deeply between the discursive cracks that frame the Alabama agricultural and manufacturing sectors by being buried in "either," "or," and "both" of these sectors across all three frames described in Table 1.

The official discursive structure of Alabama's economy confounded contemporary deployments of power by poultry in part by diminishing a clear representation of its economic relevance. The discursive position within Alabama's economic community helped fragment poultry's political representation, rendering it particularly vulnerable when lobbying in favor of a contested social issue, such as to protect their Latino employees. Alabama's poultry processors were poorly positioned with regard to the H.B. 56 debate and were both ineffectual and often absent from the most critical OPPs. When present, those representing poultry's interests did not possess sufficient power to change the contemporary status quo. This fragmented identity led to unanticipated political vulnerability leaving the poultry processing industry unable to compete with prevailing public rhetorics such as "self-deportation." This vulnerability ultimately inhibited the poultry industry from obtaining the labor protections it sought for its own legally documented (mostly Latino) immigrant labor and from aligning outcomes with their CSR commitments to the safety of their workers.

From this study of Alabama, I suggest that more attention needs to be paid to a firm's embedded power context to identify limits and opportunities impacting potential state-level political influence, particularly when it intersects with social issues. Additionally, this study has implications for corporate political strategy literature in terms of the efficacy of lobbying on issues of widely salient value (Bonardi & Keim, 2005). Firm corporate political strategies might be improved by examining the conditions of power prior to political engagement.

Limitations and Future Research

This research is limited by several factors. First, the selected theory inherently demands full contextual data (e.g., social, etc.) and this work, with intention, focused only on the economic context. Equally important to understanding the political salience of how and why this long-standing system failed the poultry processing industry in 2011 is bound up in Alabama's history of racial relations, changing local demographics, and the reputation of poultry processing in Alabama. Additionally, although the data collected suggests that the system of Alabama lobbying works as described here, the three largest poultry corporations in Alabama (i.e., Pilgrim's Pride, Tyson Foods, and Wayne Foods) denied my request for interviews. Individual firms were not the focus of this

analysis, but this missing interview data does raise unanswered questions about the scope and impact of individual lobbying efforts.

Finally, this system of power is identifiable in hindsight. The model of power is deeply reliant on thick description and understanding of the history and conditions of power. To make this operational, future research needs to consider how to translate these findings into actionable, more generalizable propositions across region and issue. For instance, this is one case addressing immigrant labor. Future research should consider the saliency of other issues of significant social import; for instance, questions of Transgender Rights in North Carolina.

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[4] Mentioned by Kennedy, Joey. Interview by Eli Jamison. Personal Interview. Birmingham, AL, October 18, 2013
[5] 006. Interview by Eli Jamison. Email Interview. Alabama, November 12, 2014.
[6] Arnold Interview; Bauer Interview, Kennedy Interview; Brooke, Sam. Interview by Eli Jamison. Personal Interview. Montgomery, AL, October 16, 2013

Social Entrepreneurship and Social Enterprise **Fits Conference Theme**

Social Entrepreneurship – Crossroads And Intersections

Denise Kleinrichert[1]

Abstract: Social entrepreneurs mark a distinct business form of market enterprise. These business ventures achieve positive entrepreneurial social change for underrepresented stakeholders in uncertain markets. Markets are rarely certain. The business and society field continues to shape the narrative about what business looks like, and how it tells its story to the market, our students and fellow scholars. Social entrepreneurship is the new wave of the intersection between individual entrepreneurship and corporate social responsibility (CSR) models. There are no social entrepreneurial road maps – for business development, strategy, operations, or delivery. Social entrepreneurs eschew historical profit-driven market venture models. Indifferent, profit-driven market players are contradictory to the social entrepreneurs' mission. This paper pursues theoretical underpinnings of social entrepreneurship at the crossroads of business and society using a new narrative.

Keywords: Social Entrepreneurship, Corporate Social Responsibility, Second Invisible Hand, Human Capability

CONTRIBUTION

This paper will contribute new thinking on a theory of social entrepreneurship. I argue that social entrepreneurship's burgeoning theoretical needs must be underwritten with economic moral theory. This is an area that will contribute value to business student understanding of the evolving story of business as a force for good in society. Further, my arguments attempt to further inform the peer-reviewed academic business literature and highlight practitioner methodologies in the areas of social impact business endeavors. I will argue that Adam Smith's capitalist market concept of self-interest is inclusive of business decisions about others' well-being within the context of ambiguous markets. There are few theoretical perspectives of the intersections of entrepreneurial social ventures' focus on social purpose, economic ethics, human well-being and value creation agency (i.e., Santos' positive theory 2012; Sen's human capability approach 1987; Yunus' Grameen Bank model 2003).

INTRODUCTION

Social entrepreneurial ventures are voluntary actions by benevolent individuals. Business practices that embody "doing good" towards others in the community are not precluded from "doing well" economically. Corporate social responsibility (CSR) has become a new norm in business strategy while accomplishing these ends. In other words, voluntary business actions enacted towards valuing social impacts on business' stakeholders are theoretically based on CSR notions (Carroll 2015). However, if business' social missions were compulsory (i.e., regulated by governments), these

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practices would no longer be motivated by market interests guided by an *invisible hand* towards best practices.

On another view, an examination of the "dehumanizing power of globalization" is redolent in the global market (Schneiderman & Walsh 2004, p. 61). In order to understand the concept of social entrepreneurship as it is meant to be interpreted, we need to look at individual market empowerment and purpose in communities. In other words, a social entrepreneur subsumes the identity, needs, misgivings, challenges and successes of their stakeholders.

Santos argues that social entrepreneurship "allocates resources to neglected societal problems" from an initial local venture that reaches global concerns (i.e., clean water, fair trade, living wages, access to healthcare and education, or technology) (2012, p. 2). On his view, a *second invisible hand* is derived from Adam Smith's (1776) work. This secondary construct of the market focuses on the moral aspects of market economic development in the form of solving social issues with a business innovation, such as social entrepreneurship (p. 44). Theoretically, moral economics operates at the intersection of social values as benchmarks of success in the market.

The first *invisible hand* proposed by Smith (1776) provides guidance for entrepreneurial market ideas that are based on self-interest (which include reputation and profit outcomes). These two outcomes do not readily indicate moral inclinations. Smith (1776) uses a narrative of the entrepreneurial butcher, baker and brewer as community members who "harmonize individual actions [that] lead to an optimal allocation of resources" (Hunt & D'Argy 1973). These community members engage in entrepreneurial market enterprise in which an *invisible hand* of economic and social progress improves a community's citizenry well-being. Smith's invisible hand guides the market of supply and demand for goods and services for mutual economic and social benefit for market communities – however, this benevolent hand has been misinterpreted over the years since *Wealth of Nations* (Smith 1776) proposed the idea. The *Theory of Moral Sentiments* (Smith 1759) argues the earlier evolution of moral constructs of society, including mercantile business endeavors. By the 20th century, a reintroduced view of economic markets has risen in the form of *corporate social responsibility* towards individual business stakeholders (Carroll 2015; Clarkson 1995). Corporate social responsibility (CSR) has advanced the notion of business' duty to meet market stakeholders' economic, social, and environmental needs.

Smith (1776) was concerned that the context of market players is *not* inherently static, uncaring and detached – it is shifting, caring, and integrated. The market is altruistic in his estimation regarding the economic and civic give and take between merchants and residents in a community. Smith's (1776) estimation of an invisible hand that guided entrepreneurial self-interest was not absolute in profit generation in a determinate market. Nor was it meant to be an uncaring narrative. In his estimation, market self-interest is two-fold, both profit and moral reputational concerns. However, a single modern market-guiding invisible hand is incomplete in accomplishing this task. A second, guiding hand is necessary to mediate the role of entrepreneurial business to provide economic, social and environmental values to the market.

CSR theory delineates the economic and social responsibilities of business to society. CSR is implied, but needs to be theorized to social entrepreneurial mission-driven endeavors. A *second invisible hand* is able to navigate the social entrepreneurial juxtaposition of social and economic values in the market.

Therefore, the concept of social entrepreneurship authenticates a *second invisible hand* as a market force that more completely guides capitalism's evolving map with nobler eyesight.

Theories of entrepreneurial social ventures (for profit and nonprofit) focus on constructs of developing human capability, social purpose, economic ethics and value creation towards human well-being and agency in communities (Prahalad 2006; Sen 1987; Smith 1776). Further, Sen (1987) argues that Smith made "pioneering contributions in analyzing the nature of mutually advantageous exchanges" as moral aspects between market players (p. 28). A capitalist market of business endeavors illustrates the dual benefits to the entrepreneur and the community. Smith (1776) argued that absent the free market access to entrepreneurial ventures, development of both economic and social well-being would be denied. His concern was that trade for purposes of the public good alone is an *affectation*. Moreover, his *others-oriented* interest reflects a moral crossroads that usurps the concept of market players as inherently static, uncaring, detached and only profit-driven. More exactly, self-interest endeavor in the market is inclusive of others' well-being within the context of society. Others-interest is found in Smith's *Theory of Moral Sentiments* (1759) as rooted in notions of empathy, care, and compassion beyond oneself, including the ability to put oneself in another's shoes (more on shoes in a bit).

Entrepreneurial social ventures focus on constructs of very specific human needs: capability, social purpose, economic ethics and value creation towards human well-being and agency. Sen's capability approach (Sen 1999; Nussbaum & Sen 1993; Sen 1988) or Santos' (2012) positive theory of social entrepreneurship argue theoretical aspects towards indeterminate, yet guiding market concepts. Hence, the mediating effect of the *second invisible hand*. Further, self-interested market forces are often more socially responsible than others, such as those market actions that result in positive externalities. Positive externalities as a result of market actions spill over beneficial aspects to various business stakeholders, such as increased access to crucial education or development of economic independence (Dybvig & Spatt 1983). Social entrepreneurs pursue benevolent missions towards their stakeholders in the market that result in positive externalities.

Social entrepreneurship has risen in visibility and importance in global economies that are both developed and developing. The latter was the market instigation for improving the well-being of those less able to achieve access to economic means to develop their own business enterprises and improve their personal socioeconomic well-being at the same time. The Base of the Pyramid communities have become the mission of many social entrepreneurs' endeavors (Prahalad 2006). Further, theoretical perspectives identify the knowing of social problems and human well-being as necessary to knowing the market (Nussbaum & Sen 1993). Moreover, social ventures seek to achieve positive entrepreneurial social change in uncertain markets.

SOCIAL ENTREPRENEURSHIP – CROSSROADS

Social entrepreneurship is a hybrid business concept of a dual-purpose mission: an innovative product or service that also solves a societal challenge or problem. In other words, it is a business practice embedded with a social mission as a business entity with narrative identity (Austin etal 2006; Mair & Marti, 2006; Yunus 2010; Zahra etal 2008).

The mission of social entrepreneurs is to obtain socially optimal outcomes – first, for their mission and for those who they seek to benefit, and secondly, for the social entrepreneur's own well-being. In other words, social entrepreneurs are empowered by a *second invisible hand* to guide solutions to a social problem. Social entrepreneurs are equally empowered by engaging in developing economic well-being for others. These actions are underscored by the intersections of the social mission of entrepreneurial business ventures at the crossroads of business and society.

Narveson (2003) states that basic elements of business endeavors must include, "why people should care" (p. 201). In other words, Narveson argues that what matters regarding a company doing well is that community stakeholders are not "made better off by making others worse off" (2003, p. 202). Social entrepreneurs are embodied by a narrative identity with their stakeholders. Primary stakeholders are directly participative with and impacted by "the result of transactions with, or actions taken by" a company (Clarkson 1995, p. 106). These stakeholders include members of the community. According to Narveson's theory, if applied here, the good intentions of social entrepreneurs' market efforts holds when we examine the lack of negative externalities, or spillover effects, of the social mission.

Santos argues a positive theory of social entrepreneurship as a business endeavor in society – in other words, "a key trade-off between value creation and value appropriation" (2012, p.1). Value creation is inherent in this model – although, value is derived and determined in varying ways by each stakeholder and business entity. Narveson states, "free exchanges are for mutual benefit, and usually achieve that; but, the benefits thus obtained enable people, in turn, to do more good for more people" (2003, p. 208).

CASE STUDY EXAMPLES

Social entrepreneurship has taken on a decidedly global perspective due to a Base of the Pyramid, most-impoverished populations focus descending from thinkers/doers/Nobel winners, including Yunus (2010), Sen (1987), and Prahalad (2006). Microfinance organizations, such as Kiva.org, put social entrepreneurship theory into practice. Sen offers a pragmatic approach as an economist/philosopher about the progress of human endeavors to enable others to achieve their full potential as human beings towards in their development of a productive business presence in society. Social entrepreneurship has been bolstered by the financial availability of microfinance to 'doing well by doing good' mindsets of entrepreneurs, and microenterprises' investment of time and experience to improve the lives of others in need.

Innumerable examples of social entrepreneurs reflect market endeavors to benefit specific communities as the primary mission of social entrepreneurs. Tom's Shoes' mission to provide free shoes to impoverished school-age children in South America uses a "buy one, give one" business model. Whirlwind Wheelchairs engineers independent mobility for the disabled by using bicycle parts to create affordable, durable wheelchairs to improve the physical access to daily living in developing countries with limited financial resources. Catracha Coffee was borne from the desire of one Honduran woman to improve the lives of her former Santa Elena community coffee farm workers in small farming ventures through improved with living wages and access to eager U.S. Fair Trade coffee markets.

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Sustainability and Sustainable Development

The Emergence and Diffusion of Sustainable Business Model Innovations in Retail Logistics From an Institutional Theory Perspective

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Abstract: In this paper empirical findings and theoretical explanations are presented on how sustainable business model innovations emerge and diffuse in the *practices* of retail logistics companies. This entails different forms of sustainable business model innovations (BMI) depending on the type of company as well as different interacting factors that drive their emergence and diffusion. This paper contends that neither the institutional environment nor the initiatives of agents alone can explain these processes but an intersection between both can do – within an institutional theory. This means that win-win-situations between companies and relevant stakeholders are an important precondition for sustainable business model innovations. There are also intersections of different reasons driving the emergence and diffusion of sustainable BMI. These reasons are legitimacy, instrumentally rational and value-rational reasons.

Keywords: Weberian Institutional Theory, New Institutionalism, Sustainable Business Model Innovation, Retail Logistics

INTRODUCTION

Sustainable business model innovations have potentially a deep impact on the sustainable development of a company, because these innovations position sustainability in the basic logic of a business.[2] If sustainability becomes part of this basic logic, it is embedded in the value proposition for the customer, in the architecture of value creation and/or of the profit formula (Johnson, 2010). It gains momentum if sustainability issues are linked with the core competences of a company and its current activities (Kuehn & McIntire, 2014). Moreover, business model innovations will make a significant contribution to a sustainable transformation of economy and society (German Advisory Council on Global Change, 2011). Since innovations bear the potential for a sustainable development, the business model may unfold this potential by marketing these innovations (Boons & Lüdeke-Freund, 2013, p. 13). "Business model innovations have already reshaped entire industries", Johnson (2010, p. 16) states. So they might be able to reshape these industries towards a more sustainable development.

What do we know about sustainable business models? There are only a few publications dealing with the topic. Some of them depict frameworks of a sustainable business model (Boons & Lüdeke-Freund, 2013, Osterwalder & Pigneur, 2010, p. 269), others show typologies or examples for

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[2] Osterwalder (2004, pp. 14–15) describes "a business model as an abstract conceptual model that represents the business and money earning logic of a company."

sustainable business models focusing on one dimension of sustainability: economic sustainability (Bieger, Döring, & Laesser, 2002), social sustainability (Prahalad, 2012) and ecological sustainability (Bisgaard, Henriksen, & Bjerre, 2012).

For the most this topic is treated in a normative way – literature provides frameworks on how to evaluate, develop and manage sustainable business model innovations. Boons and Lüdeke-Freund (2013, pp. 12–13) explicitly define normative requirements for sustainable business models enabling them to market sustainable innovations. Nidumolu, Prahalad, and Rangaswami (2009, p. 63) contend that it is not sufficient for sustainable business models to redefine the customer value proposition; it is also necessary to cooperate with other companies and/or to generate new revenues. Stubbs and Cocklin (2008) develop an ideal type for a sustainable business model comprising different characteristics such as a long-term perspective for generating revenues, involving stakeholders in sustainability management and engagement of managers for sustainability. So extant literature provides us with normative management approaches postulating what a sustainable business model should consist of and how it is to be developed. However, little is known about how business model innovations emerge and diffuse *in practice*. Birkin, Polesie, and Lewis (2009) have conducted an empirical study to explore the "current reality" of sustainable business models in the practices of Scandinavian enterprises. They found different categories of sustainability initiatives that had an effect on the business model. The explanation for these findings, however, is limited to the effect of social values in the environment of companies. So there is still a lack of studies showing a broader range of influence factors and mechanisms that drive sustainable business model innovations. This leads to the following research issue: *How do sustainable BMI emerge and diffuse?* Some related detail questions are: What are sustainable BMI in practice? Which ones diffuse and which ones not? How do they diffuse?

THEORETICAL FRAMEWORK AND RESEARCH ASSUMPTIONS

To answer these research questions a theoretical framework is used consisting of two parts: the new institutionalism and the Weberian institutional theory (Stachura, 2009). The new institutionalism can explain the diffusion of management practices as a process of institutionalization (DiMaggio & Powell, 1983; Kesselring, 2015) and it is widely proven to do that successfully (e.g. Tolbert & Zucker, 1983; 1996; Fligstein, 1991; Hoffman, 1999).[3] Extant literature explicitly name the effects of institutions on developing and changing sustainable business model innovations (e.g. Birkin et al., 2009; Johnson, 2010) and stresses the role of legitimacy for a sustainable development of companies (Bansal & Roth, 2000; Boons & Lüdeke-Freund, 2013).

What can new institutionalism contribute to answer the above mentioned research questions? This theory includes expectations of the institutional environment to explain the diffusion of management practices (Meyer & Rowan, 1977). So it is to be expected that stakeholder expectations are the major driver for emerging sustainable business model innovations. Furthermore there are the well-known isomorphisms as potential mechanisms explaining the diffusion of such innovations (DiMaggio & Powell, 1983).

[3] More recent examples contain the diffusion of management practices like quality management (Beck & Walgenbach, 2002), diversity management (Süß & Kleiner, 2008) or corporate social responsibility (Shabana, Buchholtz, & Carroll, 2016).

The new institutionalism also provides potential triggers for the emergence and diffusion of sustainable BMI. Greenwood, Suddaby, and Hinings (2002), Oliver (1992) and Hoffman (1999) suggest that contextual factors like key events and long term trends initiate these processes. Tolbert and Zucker (1983; 1996) and Greenwood et al. (2002) describe stages of institutional change that may explain how the initial driving context factors will lead to business model innovations. A typology of institutional change (Jepperson, 1991) enables us to classify empirical results along these types and explain why some influence factors are effective and others are not. Last but not least the microperspective of the new institutionalism (Zucker, 1977; 1983) is a promising approach to the implementation of sustainable BMI as part of a diffusion process. It treats the organization itself as an institution that influences the behaviour of its members. This perspective may offer insights into reactions of the organization if business model innovations encounter existing rules, norms and metrics as "invisible guardians of the prevailing business model" (Johnson, 2010, p. 161).

But there are also some limitations of new institutionalism, because this approach cannot adequately explain that sustainable BMI also emerge due to the self-interest of organizations. This is to be expected, because companies try to gain competitive advantages by innovative business models (Magretta, 2002; Teece, 2010). Oliver (1991) provides promising hypotheses to connect institutional theory with strategic management. However, Walgenbach and Meyer (2008, p. 150) have criticized this approach because it contradicts the central issue of new institutionalism that organizations adapt to the institutional environment (Walgenbach & Meyer, 2008, p. 150). DiMaggio (1988) developed the "institutional entrepreneur" to introduce a concept of agency filling the existing gap in new institutionalism, but it fails to explain the motivation of agents to engage for institutional change (Stachura, 2009). The integration of structuration theory of Anthony Giddens (1984) is another approach to introduce agency in new institutionalism (Scott, 2014), but it moves outside an institutional theory.

Thus the theoretical framework has to be supplemented by another theoretical approach. The approach chosen is the Weberian institutional theory (Howaldt, Butzin, Domanski, & Kaletka, 2014, pp. 21–24; Stachura, 2009), because (1) this approach is compatible to the new institutionalism - Max Weber is called as a "guiding genius" of the new institutionalism (Scott, 2014, p. 14) - and (2) the Weberian approach is based on action theory but it is also an implicit institutional theory (Gimmler, 1996). So the Weberian approach provides explanations for emerging and diffusing business model innovations *within* an institutional theory.

The Weberian theory also provides motivations of agents (Stachura, 2009) because Max Weber (Weber, Roth, & Wittich, 1978, pp. 24–26) makes a distinction between instrumentally rational and value-rational action and these are potential motivations for agents to start an institutional change. And so it takes rationality into account without overestimating instrumental rationality. Thus, together both theoretical approaches may explain the empirical results in retail logistics. Based on these theoretical considerations and the characteristics of sustainable business model innovations seven research assumptions are developed, two of which will now be outlined.

Research assumption 1:

Under given legal conditions sustainable BMI emerge when there is a coherence of objectives between companies and the institutional environment. The last of which is to operationalize as expectations of stakeholders.

Research assumption 2:

Companies develop sustainable BMI for three reasons:

- *Legitimacy reasons: Companies try to gain legitimacy from their environment;*
- *Instrumentally rational (economic) reasons: Companies expect increasing efficiency using sustainable BMI;*
- *Value-rational reasons: Values, expressed in mission statements, principles and guidelines, drive companies to develop sustainable BMI.*

Precondition for the emergence of sustainable BMI is an intersection of at least two reasons. The importance of the reasons depends on the type of company.

METHODOLOGY

A qualitative approach was used to examine the above mentioned research assumptions exploring influence factors and mechanisms of emerging and diffusing sustainable BMI rather than proving quantitative relations. Comparative case studies were conducted in order to reconstruct the complex processes taking place in retail logistics and 24 semi-standardized guided interviews were carried out with experts from 15 companies and 6 networks/associations. All interviews were recorded and transcribed. Interview statements were explicated by documents such as sustainability reports, annual reports and web presence of the examined organizations. This material was evaluated by qualitative content analysis (Mayring, 2000). Interview statements were coded (see figure 1) along a system of categories derived deductively based on the theoretical framework and inductively by unexpected statements of interview partners generating new categories. These statements were interpreted as a summarizing evaluation – this procedure provided detailed insights in relevant influence factors and their interaction in a single organization. The second way of interpreting the empirical material that is applied here is the structured evaluation. Thereby similarities and differences between different types of companies became evident developing and implementing different kinds of business model innovations in different ways. Both means of evaluation based on the following category system provide a broad range of influence factors and mechanisms that show the characteristics, emergence and diffusion of sustainable business model innovations – for every organization and as crosscutting topics.

Figure 1: System of Categories

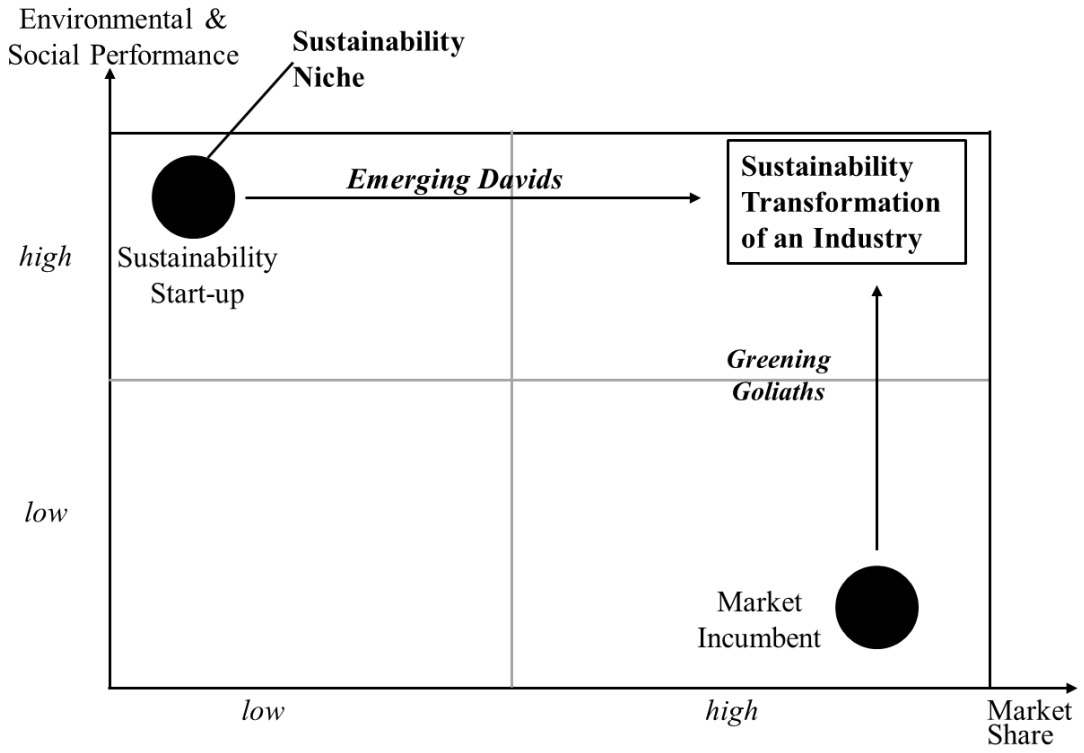
Forms of Sustainable Business Model Innovations ▪ Dimensions (economical, ecological, social) ▪ Types (value proposition, value-added-processes, profit)
Emergence ▪ Triggers (contextual factors like key events or trends) ▪ Drivers (Stakeholders, individual/corporate agents, both) ▪ Reasons (legitimacy, instrumentally rational or value-rational)
Implementation ▪ Drivers ▪ Criteria ▪ Challenges and dealing with them
Diffusion (across corporate boundaries) ▪ Companies, stakeholders, diffusion agents

- Mechanisms
- Challenges and dealing with them

The empirical study took place in retail logistics because of the economic importance, the contribution to greenhouse gas emissions and because of conflicting goals based on trends towards higher delivery frequencies, lower shipment volumes und increasing transports that contradict sustainability goals.

The study sample consists of companies operating in Germany that are part of two supply chains - one is the supply chain of mail order business and the other of stationary trade. Industry companies, retail companies and logistics providers were examined. Furthermore companies representing "Emerging Davids" or "Greening Goliaths" (Hockerts & Wüstenhagen, 2010) were the subject of empirical research, because it is to be expected that processes of diffusion may differ from each other between these two types of companies. Emerging Davids are characterized by high sustainability performance but low market share. Greening Goliaths are the market incumbents characterized by high market share but low sustainability performance. Hockerts and Wüstenhagen (2010) suggest that Emerging Davids and Greening Goliaths make co-evolutionary contributions towards a sustainable transformation of business (see figure 2).

Figure 2: Emerging Davids and Greening Goliaths



(Source: Hockerts & Wüstenhagen, 2010, p. 488)

RESULTS

The characteristics of sustainable BMI depend on the type of company. The public companies among the Greening Goliaths have made measurement, reduction and compensation of greenhouse gas emissions subject of their business model. Carbon neutral transport is an especially well known example of this. The family run companies make sustainable supply chains part of their business model. In addition, they are characterized by cooperative solutions between the partners of the supply chain. The Emerging Davids are characterized through the whole business being sustainable. This means, sustainability is part of every element of the business model.

Regarding my research assumptions the empirical study shows the following results – also differentiated by Emerging Davids and Greening Goliaths. *Research assumption 1* is confirmed in case of Greening Goliaths. Sustainable business model innovations are developed or adopted if there is an alignment of institutional pressure and self-interest in the company. The institutional environment is represented by a small number of stakeholders - customers and municipalities. In order to consider their expectations another distinction has to be made among the Greening Goliaths between public companies and family businesses.

Public companies are influenced by customers who demand sustainable products and processes, e.g. to gain contributions to their own carbon footprints. There are also current or expected requirements of municipalities for sustainable retail logistics (because of pollutant and noise emissions as well as traffic congestion in inner cities). Other stakeholders (including media and the general public) show only limited influence on business model innovations of public companies. Interview partners stress the importance of the self-initiative of companies developing or adopting sustainable BMI. Economic reasons and the self-conception of the company as a corporate citizen play an important role for sustainable BMI.

Family businesses are also influenced by customer needs and regulatory authorities. However, most of the interview partners in this field stress the importance of company values, principles and mission statements. These are the essential drivers of sustainable business model innovations. Influences of media, public or social movements are reasons to question the current understanding of sustainability. For example, media coverage drives processes to reformulate current company values and to take them into account as part of their business models. In both variants of Greening Goliaths, public companies and family run businesses, the coherence between stakeholder expectations and the initiative of companies are crucial for the emergence and diffusion of sustainable business model innovations.

Empirical findings in the case of Emerging Davids yield only a partial confirmation of my research assumption that a coherence of objectives is crucial for sustainable business model innovations. These companies also meet the high standards of critical customers requiring evidence for social and ecological products and processes (especially working conditions of suppliers). However, the trigger to developing sustainable BMI is the initiative of the company. Personal convictions of company founders and members are a strong driver for developing business models that are consistently sustainable in all elements of the business models. Retail logistics contribute to this business model. So the main driver for the emergence and diffusion of sustainable innovations is the agents´ initiative, represented by founders, managing directors and members of the company. The

statements of the interview partners show that the institutional environment has only limited relevance.

The influence of agents and the institutional environment is linked to the *second research assumption* regarding the reasons for companies to develop or adopt sustainable business model innovations. The empirical results confirm research assumption 2 that legitimacy, instrumentally rational and value-rational reasons drive the emergence of sustainable BMI. They confirm that an intersection of at least two of these reasons lead to this innovation.

The *Greening Goliaths* are driven by legitimacy, instrumentally rational reasons and by value-rational reasons.

- Legitimacy reasons: Expectations of B2B-customers and regulations of municipalities are drivers for sustainable BMI. As multipliers for such innovations associations strengthen the image of their members to politics and public.
- Instrumentally rational (economic) reasons: Greening Goliaths gain increasing efficiency – sustainable solutions often are resource-efficient *and* cost-efficient. Sustainable BMI generate competitive advantages for companies that take a leading role in sustainable development processes. Some companies gain increasing and stable revenue with "green" products. Preventing risks that could threat the business model is another instrumentally rational driver for sustainable BMI.
- Value-rational reasons: *Family businesses* consider sustainability as part of their values, principles and mission statements. Responsibility as value-based family business drives developing and adopting sustainable BMI. Some *public companies* state that a positive contribution as corporate citizen to society and environment is a driver for sustainable BMI.

Among the *public companies* interview partners highlight legitimacy and instrumentally rational reasons, *family businesses* stress value-rational and instrumentally rational reasons for developing or adopting sustainable BMI. In some *family businesses* legitimacy reasons are the trigger to rethinking their business models.

Legitimacy reasons play a minor role for the Emerging Davids. They outperform the requirements of stakeholders out of self-interest. Personal convictions, visions and ideals of agents like company founders, managing directors and members are often reported as decisive drivers for developing sustainable business model innovations. Some interview partners state that economic success is a necessary precondition for survival of their companies, so they will continue to offer sustainable products and to live by their own values. Thus, value-rational reasons play an important role while considering economic requirements.

CONCLUSION

In this paper some influence factors and mechanisms of emergence and diffusion of sustainable BMI are presented. Empirical findings show that this is not a question of institutional expectation ***or*** the agents´ initiative. Neither is it a question of legitimacy, instrumentally ***or*** value-rational reasons for companies to develop, adopt and implement sustainable BMI. For the most part, there is an intersection of drivers and reasons that forge the emergence and diffusion of these innovations. These findings confirm largely the research assumptions that are based on a combination of two

institutional theories. They were assumed to be competitive but it could be shown that it is possible and useful to combine them to explain the emergence and diffusion of sustainable BMI.

Which drivers are involved and how important they are depend on the type of company: Is it an Emerging David or a Greening Goliath? Among the Greening Goliaths the characteristics and diffusion processes of sustainable BMI depend on ownership structures. So a further distinction had to be made between public companies and family businesses.

A qualitative examination for BMI in retail logistics was conducted in order to identify a broad range of influence factors and mechanisms generating sustainable BMI in this industry. However, this research strategy cannot provide quantitative results concerning the importance of the different influence factors for emergence and diffusion of sustainable BMI. This remains a research task for future projects. Furthermore, the empirical study took place just at one point in time in a continuing process, probably at an early stage of diffusion. Therefore, research has to be continued as a longitudinal study to identify relevant influence factors and mechanisms at different stages.

Last, but not least: What about practical implications? Stakeholders that try to influence the diffusion of sustainable BMI have to recognize that companies develop or adopt sustainable elements selectively. They focus on innovations that are an expression of their own interest. A promising way to gain intersections are dialogue processes between companies and there relevant stakeholders. They are of vital importance because they generate sustainable BMI as win-win-solutions. And this is a fundamental precondition in many cases of sustainable BMI.

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Corporate Social Responsibility and Performance

Does Money Really Talk?
Testing Slack Resource Mechanism of Corporate Responsibility

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Abstract: This paper examines the Slack Resource Mechanism (SRM) in the Corporate Responsibility (CR) literature, proposing that when a firm has enough slacks, it is more likely to engage in CR activities, which eventually improve its financial performance. In order to assess whether or not, and in which contexts SRM really works, this paper reviews two research issues in SRM. Based on literature review, we empirically test two proposed hypotheses with a large-scale longitudinal dataset from 1997 to 2012. We find that firms become involved in CR activities for external stakeholders when they have enough slack resources, and that the slack-induced CR engagements are not favored by the stock market. Based on our research findings, we assure that SRM may need to be reconsidered and further developed.

Keywords: Corporate Responsibility, Corporate Financial Performance, Slack Resource Mechanism

INTRODUCTION

The main theme of this paper is to examine the Slack Resource Mechanism (SRM) in the Corporate Responsibility (CR) literature, proposing that when a firm has enough slacks, it is more likely to engage in CR activities, which eventually improve its financial performance. Despite the convincing and reasonable attributes of SRM, however, less studied is whether or not, and in which contexts SRM really works. In order to delve into these issues, this research reviews relevant CR literature, especially building upon two research streams. Based on literature review and two proposed hypotheses, empirical work will be conducted with large-scale longitudinal data from the 15-year period, from 1997 to 2012. In seeking to explain research findings, we propose the genuineness in CR engagement for the purpose of a firm's CR-related activities being transformed and favored as moral capital.

THEORY AND HYPOTHESES

SRM proposes a virtuous circle between CR and financial performance. Specifically, SRM proposes that, when a firm has enough slack resources, it tends to engage in CR-related activities. Eventually, a firm's CR-related engagements pile its moral capital that reduces its risk and, ultimately, results in positive impact on financial performance. Specifically, academic literature on SRM can be divided into two approaches: (1) the instrumental rationale for engaging in CR activities, in particular while slack resources are available, and (2) the internal logic by which a firm's CR activities add to its

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intangible assets and financial valuation. We will review these two research streams and propose corresponding hypotheses.

Slack Resources and Corporate Responsibility

From the resource dependency paradigm (Pfeffer & Salancik, 2003), instrumental CR approach indicates that financial performance is best to use if it were strategically allocated to appropriate issues and stakeholders (Hillman & Keim, 2001). Extensions of the instrumental stakeholder theory also suggest ways to understand how investment in CR activity impacts corporate social performance. For example, Brammer and Pavelin (2006) show that the impact of corporate responsibility activities on firm reputation (in turn related to both corporate social and financial performance) is a function of how well the firm achieves strategic alignment between the type of CR activities and the firm's social and stakeholder environments. In short, the instrumental stakeholder theory directs attention to the alignment of firm resources to various CR engagements (Jones, 1995; Wood & Jones, 1995).

At the heart of this approach is the question of what makes firms and corporate managers involved in CR-related activities. Recently, some scholars responded that companies expect an insurance-like function from their CR engagement: if CR activities were strategic, it will reduce the cost to the firm while leading to more tangible returns (Porter & Kramer, 2002). Moreover, CR engagement can be a source of competitive advantage resulting from positive reputation effects among consumers (Brammer & Millington, 2005), also described as "moral capital" or "relational wealth" (Godfrey, 2005). Positive reputation can lead to perceptions of reduced transaction costs and risk mitigation (Jones, 1995). Accordingly, this instrumental logic has helped illustrate strategic choices of corporate managers, and clearly provided links between firm resources and its CR engagement.

In addition, the instrumental approach can be interpreted as a consequentialist moral perspective. The consequentialist moral theory proposes that moral behaviors should be evaluated by their consequences, regardless of their intentions. The aforementioned instrumental approach fits the consequentialism in that firms would not invest in CR-related activities until they had enough slack resources. Although this instrumental approach has been challenged as only good "for the sake of obtaining something else" (Bright, 2006), it implicitly provides convincing reasons why firms become involved in CR-related activities: when they have enough slack resources. Thus a corresponding hypothesis is:

Hypothesis 1: A firm's slack resources are positively associated with its social performance (CSP) in the following year.

Corporate Responsibility as Intangible Resources

Research relating CR to the intangible resources of the firm focuses on the interaction with intangibles such as reputation/brand, innovation/R&D, and human resources (McWilliams and Siegel, 2001; Hull and Rothenberg, 2008). While the issue of financial impact is still debated, the connections between CR and a variety of types of intangible assets including R&D, human capital and reputation are the focal point of this research stream on strategic CR (Siegel & Vitaliano, 2007). Beyond R&D, another argument about the intangible value of corporate social responsibility among

practitioners and academicians focuses on brand/reputation. Stakeholder engagement or management allows corporations to build reputational capital by establishing trust in relationships with stakeholders. Reputational capital is the "residual value of the company's intangible assets over and above the stock of patents and know-how" (Fombrun & Gardberg, 2006).

Corporate citizenship activities such as philanthropy reflect a company's "moral coloration" which stakeholders assess (Godfrey et al., 2009). In other words, this reputational or moral capital is insurance that helps the firm manage reputation risk (Sharfman & Fernando, 2008). This "moral coloration" also serves to help firms attract and retain the most productive employees. Investing in CR-related activities develops a capability for generating improved processes, which has important consequences for employee motivation and morale, and is instrumental in creating high-commitment and participative cultures (Surroca et al., 2010).

The strategic CR literature on intangibles unpacks the causal chain linking CR to firm value through a focus on intangible assets. In short, positive moral capital acts as insurance as it protects relational wealth against loss by mitigating negative stakeholder assessments. Thus, when a firm invests in moral capital using its own financial resources (e.g., philanthropy), this moral capital will contribute this firm's future performance. A corresponding hypothesis is:

Hypothesis 2: A firm's slack-induced CSP is positively associated with its accounting and financial performance in the following year.

RESEARCH METHODS

For empirical testing of the proposed two hypotheses, we consider a 2-stage approach. At the first stage, using Corporate Social Performance (CSP) as a proxy for the level of CR engagements, we assess the relationships between each firm's CSP and its slack resources. At the second stage, we estimate CSP based on slack-resources. Here, the estimated CSP means the outcomes from CR engagements induced by slack resources. With the slack-induced CSP, we can predict how well firms perform financially.

First, in order to test the first hypothesis, i.e., slack resources influence CR activities, the following model is used:

$$CSP_{it} = \theta_0 + \theta_1 SR_{it-1} + \pi X_{it-1} + \varsigma ,$$

where CSP_{it} denotes social performance of firm i at time t; SR_{it-1} indicates slack resources of firm i at time $t-1$; X_{it-1} is a matrix of covariates for the other aspects which influence CSP; θ_0 is the intercept of the regression model. Thus, our main interest is θ_1, a coefficient of SR_{it-1}.

To test the second hypothesis, i.e., slack-induced CR influences financial performance, we consider an integrated model:

$$CFP_{it} = \varphi_0 + \varphi_1 sCSP_{it-1} + \tau X_{it-1} + \nu$$

$$s.t.\ \ sCSP_{it-1} = \mu SR_{it-2} + \varsigma$$

where CFP_{it} denotes financial performance of firm i at time t; $sCSP_{it-1}$ indicates the firm i's CSP especially induced by its slack resources at time $t-1$; and other variables are the same as in the model for hypothesis 1. Here, our main interest is φ_1, a coefficient of $sCSP_{it-1}$.

The advantage of this integrated model is to control the seemingly recursive relation between CSP and CFP. Since the meaning of CFP in the slack resources theory is actually slack resource derived from financial performance, we need to delineate slack resources from CFP. This can alleviate the endogeneity issue between CSP and CFP.

Sample and Data

The sample used to test our hypotheses employs multiple databases, such as KLD, CRSP and Compustat. For sampling, first, we identified all public firms whose corporate social responsibilities were evaluated by KLD. Then, we collected these sample firms' financial and accounting information from Standard & Poor's Compustat and RSP databases. This sampling procedure yielded 11,549 firm-year observations with 1,553 firms spanning from 1997 to 2012.

Measures

CSP (Corporate Social Performance). CSP is based on KLD's Social Data. KLD Social Data has provided positive CSP (called strengths) and negative CSP (called concerns) of each public firm by year. The strengths refer to the extent to which a firm takes an action addressing social issues in a given year. We summed up the 0/1 variables across the categories to construct positive CSP of the given firm in each year. Second, the concerns are defined as the extent to which a firm is involved in the activities which can exacerbate social issues. In the KLD data, the negative activities were evaluated in the same ways with binary codes. We accordingly summed up the binary codes of the given firm by year to measure negative CSP.

CFP (Corporate Financial Performance). CFP is considered in two ways: firm valuation and operations. Firm valuation is related to how stakeholders perceive the firm's value, and measured with Tobin's *q*. In this study, Tobin's *q* is calculated by dividing the market value of the asset by the book value of assets (Brown and Caylor, 2006; Bebchuk and Cohen, 2005; Gompers, Metrick & Ishii, 2003). On the other hand, the operation-related performance signifies the outcomes from internal processes, rather than the outcomes from stakeholders' perception (Bromiley, 1991). Given that revenues a given firm generates can reflect how effective the firm operation is at a certain time period, we measured the operation-related performance as ROA, which is computed by dividing net income by its total assets.

Slack Resources. As indicators of slack resources, following Bourgeois' (1981) three categories, we used cash flow (discretionary), marketing expenditure as excess cost (non-discretionary), and debt-equity ratio (potential).

Control Variables. For control purposes, in each statistical model, we include each firm's age, market share, total number of employees, R&D expenditure, capital expenditure, and corporate social performance in a previous year. Also, as industry-level control variables, industry ROA and industry asset intensity are controlled in each model.

Testing Hypothesis 1

To examine the first hypothesis, i.e. slack resource influences CSP, we used a fixed effect model to estimate CSP measures as the Hausman test suggests (Hausman, 1978). The Hausman test is typically used to compare fixed and random effects models in econometrics. If the statistic for the test has lower p-values than the 0.05 significance level, the random effects model shows inconsistent results. In this study, the statistic was 1058.29 ($p<.001$). We, therefore, employed fixed effects models. Also, we employed zero-inflated Poisson regression models, as the distributions of Strength and Concern are long-tailed with many zeros (34% of the observations). In the models, we conducted bootstrapping to calculate clustered standard errors.

Table 1 presents the estimations of CSP, total, for Community, Environment, Employees, and Product (Consumers) with respect to control variables and our measures of slack resources. In all five Models, our three measures of slack resources, i.e. cash reserves, marketing expenditure, and debt-equity ratio, were added to estimate total CSP.

From Models 1 and 2, we found positive effects of cash reserves on CSP total and CSP for community respectively. Models 3 shows that debt-equity ratio has a significantly positive impact on CSP for environment. Thus firms' slack resources are positively associated with CSP in general, and CSP for external stakeholder groups (i.e., community and environment). These findings partially corroborate hypothesis 1.

Table 1
Regressions of CSP on Slack Resources

	Model 1 CSP	**Model 2 COM**	**Model 3 ENV**	**Model 4 EMP**	**Model 5 PRO**
Intercept	.450 (.359)	-.154* (.075)	-.190 (.128)	.476** (.150)	.207* (.093)
Control Variables					
Industry ROA	-.001 (.001)	-.000 (.000)	-.001 (.000)	-.000 (.001)	.000 (.000)
Market Share	.167 (.647)	.289† (.156)	-.552* (.229)	.561† (.301)	-.110 (.160)
Industry Asset Intensity	.001*** (.000)	.000*** (.000)	.001*** (.000)	.000** (.000)	.000** (.000)
# Employees	-.003* (.001)	-.001† (.000)	-.001* (.000)	-.001 (.001)	-.002*** (.000)
Ln Firm Age	.294† (.170)	.114** (.041)	-.070 (.060)	-.054 (.079)	-.003 (.042)
R&D Expenditure	-.326 (.239)	.005 (.055)	.008 (.085)	-.184† (.108)	-.067 (.060)
Advertisement Expenditure	-.012 (.022)	-.004 (.005)	-.007 (.008)	.015 (.010)	-.002 (.006)
Capital Expenditure	.001 (.002)	-.000 (.000)	.001 (.001)	-.000 (.001)	.001† (.001)

Current Ratio	.011 (.024)	-.003 (.006)	.013 (.008)	.004 (.011)	.006 (.006)
Prior CSP	.286*** (.011)	.202*** (.012)	.296*** (.011)	.204*** (.014)	.225*** (.011)
Independent Variables					
Cash Reserve Ratio	.561* (.226)	.120* (.052)	.032 (.080)	.170‡ (.101)	-.117* (.057)
Marketing Expenditure	-.080 (.398)	.122 (.094)	-.071 (.141)	-.042 (.183)	-.064 (.099)
Long-Term Debt-Equity Ratio	.412 (.266)	.121† (.063)	.238* (.094)	-.226† (.122)	.128† (.066)
Firm Dummies	Included	Included	Included	Included	Included
Year Dummies	Included	Included	Included	Included	Included
AR(1)-DW	.381	.431	.378	.418	.365
Log Likelihood	-18336.92	-3848.58	-7988.35	-10495.18	-4488.30

The number of firm-year: 9983, The number of firms: 1414, Standard errors in parentheses
† p <.1 *p <.05 ** p <.01 *** p <.001

Testing Hypothesis 2

To test if prior CSP can enhance financial performance, ROA and Tobin's Q are estimated with respect to five different indicators of slack-induced CSP. The estimation method was fixed effects models (Hausman statistic, χ^2 = 1822.29; p < .001).

Table 2 presents the estimations of ROA with respect to five CSP measures. Models 9a through 11a are the estimations of ROA from slack-induced CSP. No slack-induced CSP measures have significant regression coefficients as presented. Thus, this result leads us to suspect that CSP may not increase financial performance, especially operation-based performances.

Table 2
Regressions of ROA on Slack-Induced CSP

	Model 6a Control	**Model 7a CSP**	**Model 8a COM**	**Model 9a ENV**	**Model 10a EMP**	**Model 11a PRO**
Intercept	-.119*** (.031)	-.119*** (.031)	-.119*** (.031)	-.119*** (.031)	-.119*** (.031)	-.119*** (.031)
CONTROL EFFECTS						
Industry ROA	-.000 (.000)	-.000 (.000)	-.000 (.000)	-.000 (.000)	-.000 (.000)	-.000 (.000)
Market Share	-.065 (.041)	-.066 (.041)	-.064 (.041)	-.067 (.041)	-.065 (.041)	-.065 (.041)
Industry Asset Intensity	-.000* (.000)	-.000* (.000)	-.000* (.000)	-.000* (.000)	-.000* (.000)	-.000* (.000)
# Employees	-.000 (.000)	-.000 (.000)	-.000 (.000)	-.000 (.000)	-.000 (.000)	-.000 (.000)

Firm Age	.016 (.011)	.016 (.011)	.016 (.011)	.016 (.011)	.016 (.011)	.016 (.011)
R&D Expenditure	-.005 (.016)	-.005 (.016)	-.005 (.016)	-.005 (.016)	-.005 (.016)	-.005 (.016)
Advertisement Expenditure	.001 (.001)	.001*** (.000)	.001 (.001)	.001 (.001)	.001 (.001)	.001 (.001)
Capital Expenditure	.001*** (.000)	.001*** (.000)	.001*** (.000)	.001** (.000)	.001*** (.000)	.001*** (.000)
Current Ratio	.004* (.002)	.004* (.002)	.004* (.002)	.004* (.002)	.004* (.002)	.004* (.002)
Prior Performance	-.205*** (.010)	-.206*** (.010)	-.204*** (.010)	-.207*** (.010)	-.205*** (.010)	-.205*** (.010)
HYPOTHESIZED EFFECTS						
Slack-Induced CSP		-.014 (.025)				
Slack-Induced Com			-.069 (.099)			
Slack-Induced Env				-.140* (.068)		
Slack-Induced Emp					.006 (.009)	
Slack-Induced Con						-.002 (.027)
Firm Dummies	Included	Included	Included	Included	Included	Included
Year Dummies	Included	Included	Included	Included	Included	Included
AR(1)-DW	.290	.290	.290	.290	.290	.290
Log Likelihood	8623.14	8623.32	8623.79	8625.62	8623.32	8623.12
χ^2	-	.36	1.3	5.04*	4.96*	.04

The number of firm-year: 9983, The number of firms: 1414, Standard errors in parentheses
† p <.1 *p <.05 ** p <.01 *** p <.001

Table 3 presents the estimations of Tobin's Q with respect to slack-induced CSP. Through Models 9b through 11b, the negative and significant regression coefficients imply that slack-induced CSP for environment, employees, and products are negatively associated with shareholders' valuation in the stock market.

Table 3
Regressions of Tobin's q on Slack-Induced CSP

	Model 6b Control	**Model 7b CSP**	**Model 8b COM**	**Model 9b ENV**	**Model 10b EMP**	**Model 11b PRO**
Intercept	-.125 (.129)	-.125 (.129)	-.125 (.129)	-.123*** (.129)	-.122 (.129)	-.122*** (.029)
CONTROL						

EFFECTS						
Industry Performance	-.000 (.000)	-.000 (.000)	-.000 (.000)	-.000 (.000)	-.000 (.000)	-.000 (.000)
Market Share	-.366 (.236)	-.369 (.236)	-.374 (.236)	-.379 (.236)	-.371 (.235)	-.379 (.235)
Industry Asset Intensity	-.000*** (.000)	-.000*** (.000)	-.000*** (.000)	-.000*** (.000)	-.000*** (.000)	-.000*** (.000)
# Employees	-.003*** (.001)	-.003*** (.001)	-.003*** (.001)	-.003*** (.001)	-.003*** (.001)	-.003 (.000)
Firm Age	.391*** (.062)	.391*** (.062)	.391*** (.062)	.393*** (.062)	.391*** (.062)	.391*** (.062)
R&D Expenditure	-.067 (.087)	-.067 (.087)	-.068 (.087)	-.066 (.087)	-.067 (.087)	-.065 (.087)
Advertisement Expenditure	.012 (.009)	.012 (.008)	.012 (.008)	.012 (.008)	.012 (.008)	.012 (.008)
Capital Expenditure	-.001 (.001)	-.001 (.001)	-.001 (.001)	-.001 (.001)	-.001 (.001)	-.001 (.001)
Current Ratio	.002 (.009)	.003 (.009)	.003 (.009)	.004 (.009)	.003 (.009)	.003 (.009)
Prior Performance	.233*** (.009)	.233*** (.009)	.233*** (.009)	.232*** (.009)	.235*** (.009)	.234*** (.009)
HYPOTHESIZED EFFECTS						
Slack-Induced CSP		-.097 (.131)				
Slack-Induced Com			-.535 (.524)			
Slack-Induced Env				-.960* (.379)		
Slack-Induced Emp					-.113* (.052)	
Slack-Induced Con						-.512** (.153)
Firm Dummies	Included	Included	Included	Included	Included	Included
Year Dummies	Included	Included	Included	Included	Included	Included
AR(1)-DW	.388	.388	.388	.387	.386	.385
Log Likelihood	-8252.43	-8251.95	-8251.79	-8247.93	-8248.37	-8244.29
χ^2	-	0.96	1.28	9.00**	8.12**	16.28***

The number of firm-year: 11536, The number of firms: 1553, Standard errors in parentheses
† p <.1 *p <.05 ** p <.01 *** p <.001

In short, hypothesis 2 is not supported; rather negative relationships between slack-induced CSP and stock value or investors' evaluations are founded.

CONCLUSION

The primary framing of research on CR mechanism is on the virtuous circle between firms' CR engagements and financial achievements.

Our contribution is to separate SRM and test it with advanced statistical modeling. To understand this circular mechanism, this paper focuses on Slack Resource Mechanism and frames two specific directions. First, firms become involved in CR activities when they have enough slack resources. Second, the slack-induced CR engagements are favored by the market, i.e., better financial performance. Based on our research findings, we assure that the second part of SRM may need to be revisited, as none of slack-induced CR engagements are positively associated with financial performance. Another contribution is to propose proper indicators for slack resources of firms. For reliable and valid assessment, we used three indictors of discretionary, non-discretionary, and potential slacks, and found a firm's discretionary and potential slacks influence CR engagements.

As future research directions, scholars interested in corporate responsibility issues need to identify rationales and reasons why stakeholders in the market keep unfavorable evaluations for slack-induced CR engagements. Furthermore, we need to investigate under which contexts firms and business people invest their slack resources in improvement for primary stakeholder groups such as employees and customers.

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Corporate Social Responsibility and Performance

How Sustainability Reporting Is Maturing: A Preliminary Assessment of the Impact of GRI's G4 Guidelines

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Abstract: This paper examines the incremental value added to sustainability reporting by changes in disclosure requirements of the Global Reporting Initiative (GRI) G4 guidelines in the Metals and Mining industry. Three companies' most recent G4 sustainability reports are critically compared to their previous G3 reports, and the some results of content analysis are reported.

Keywords: Sustainability Reporting, Global Reporting Initiative, Corporate Social Responsibility, Corporate Social Performance, Metals and Mining Industry

"The aim of G4…is simple: to help reporters prepare sustainability reports that matter, contain valuable information about the organization's most critical sustainability-related issues, and make such sustainability reporting standard practice." G4 Sustainability Reporting Guidelines, p.3)

INTRODUCTION

The Global Reporting Initiative (GRI) launched the fourth generation (G4) of sustainability reporting guidelines in 2013. This is significant because GRI guidelines have become the most widely used framework for annual reporting of economic, social, and environmental performance by business organizations. GRI has played a very important role in the institutionalization of such reporting since its initial guidelines were published in the year 1999. Scholars in a number of fields have studied sustainability reporting, including business-and-society/business ethics (e.g., Higgins, Milne, & van Gramberg, 2015; Legendre & Coderre, 2013), business and the natural environment (e.g., Kolk, 2003; Pedersen et al., 2013), and accounting (e.g., Adams & McNicholas, 2007; Ramanna, 2013). However, no studies have yet been published that focus on the G4 guidelines.

This paper adds to the research stream on sustainability by exploring the advances made in the G4 guidelines and whether the changes have influenced subsequent sustainability reporting. In order to assess the usefulness of G4 reporting, we will analyze the incremental value that scholars and stakeholders can gain in information about organizations that implement the updated sustainability reporting guidelines by examining a sample of sustainability reports issued for 2012/3 and 2014/5 in one industry that is significantly involved in environmental and social issues, the Metals and Mining sector.

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Background on Sustainability Reporting

A sustainability report discloses organizational performance and impacts beyond traditional financial reports most useful for financial analysts, investors, and other primarily economic stakeholders. Sustainability reports incorporate disclosure of economic, environmental, and societal impacts of interest to a much broader range of stakeholders. The term "sustainability report" is used in this paper to include corporate social responsibility, corporate citizenship, and triple-bottom-line reports.

The Global Reporting Initiative (GRI), established in 1997 by the Coalition for Environmentally Responsible Economies (CERES), has played an important role in supporting this trend by creating a common framework for reporting through collaboration by accounting firms, company executives, and global partners, including the United Nations Environment Programme (UNEP) and Tellus Institute, a nonprofit research and advisory firm. The development process for the initial GRI reporting guidelines included 21 pilot companies whose early reporting efforts formed the basis for the first draft of GRI guidelines in March 1999. This initiative was first published in Dutch, and became an impetus for an annual seminar on CSR (sustainability) reporting, first held in December 1999 with over 100 participants.

The four iterations of sustainability reporting guidelines have been continuously adapted to improve meaningful stakeholder dialogue and have focused on being compatible with other significant frameworks (OECD Guidelines for Multinational Enterprises, the UN Global Compact Principles, and the UN Guiding Principles on Business and Human Rights).

G4 Guidelines: What's New

Three significant changes in the G4 Guidelines are particularly relevant to the business-and-society/business ethics research community. The first is new disclosure requirements related to governance, including a new category on "Ethics and Integrity." See Table 1 for a brief description of these new disclosure requirements.

Table 1
New G4 Disclosure Guidelines
Governance and Ethics & Integrity

Governance: G4-35 Report process for delegating authority for economic, environmental and social topics from highest governance body to senior executives and other employees	G4-52 Report process for determining remuneration. Report whether remuneration consultants are involved in determining remuneration and whether they are independent of management. Report any other relationships which remuneration consultants have with organization.
G4-36 Report whether organization has appointed an executive-level position(s) with responsibility for economic, environmental and social topics, and whether post holder(s) report directly to highest governance body	G4-54 Report ratio of the annual total compensation for organization's highest-paid individual in each country of significant operations to the medial annual total compensation for all employees (excluding

	highest-paid individual) in same country.
G4-42 Report highest governance body's and senior executives' roles in development, approval, updating of organization's purpose, value or missions statements, strategies, policies, and goals, related to economic, environmental and social impacts	G4-55 Report ratio of percentage increase in annual total compensation for organization's highest-paid individual in each country of significant operations to medial percentage increase in annual total compensation for all employees (excluding highest-paid individual) in same country
G4-43 Report measures taken to develop and enhance highest governance body's collective knowledge of economic, environmental and social topics	Ethics & Integrity: G4-56 Describe organization's values, principles, standards and norms of behavior such as codes of conduct and codes of ethics
G4-46 Report highest governance body's role in reviewing effectiveness of organization's risk management processes for economic, environmental and social topics	G4-57 Report the internal and external mechanisms for seeking advice on ethical and lawful behavior and matters related to organizational integrity, such as helplines or advice lines
G4-48 Report highest committee or position that formally reviews and approves organization's sustainability report and ensures that all material aspects are covered	G4-58 Report the internal and external mechanisms for reporting concerns about unethical or unlawful behavior, and matters related to organizational integrity, such as escalation through line management, whistleblowing mechanisms or hotlines.
G4-50 Report the nature and total number of critical concerns that were communicated to highest governance body and mechanism(s) used to address and resolve them	

Secondly, G4 adds a stronger emphasis on the concept of materiality -- focusing on issues most critical to an organization and its stakeholders. G4 differs from G3 by requiring explicit linkage between Material Aspects (MAs) and disclosures related to those aspects. Additionally, G4 requires an explanation of the process used to identify MAs.

Thirdly and related to the second point, G4 requires the reporting organization to define the "Boundary" of Material Aspects, thus mapping the impact as within (inside) or without (outside) the organization. This guideline requires companies to consider not only the environmental, social, and economic impacts it can control, but also those beyond its control, such as those created by suppliers, distributors, and consumers. Thus, the new guidelines increase a focus on an organization's supply chain, as the economic, social, or environmental impacts of its suppliers can be a Material Aspect of the focal organization that it cannot control. Specifically, G4 requires disclosure on how organizations manage environmental, social, and economic issues related to the MAs of their supply chains, including:

- Number of suppliers screened using criteria for environmental and social impacts, including labor practices and human rights
- Significant actual and potential negative impacts identified in the supply chain
- Actions taken to prevent, mitigate, or remediate negative impacts

- Number of grievances relating to supply chain impacts that are filed, addressed, and resolved through formal grievance mechanisms

Quality of Sustainability Reporting Before G4

The KPMG 2013 Survey of Corporate Responsibility Reporting rated the *Fortune* Global 250 (G250) companies to assess the quality of their most recent sustainability reports on the following seven criteria. Starred (*) criteria are weighted more heavily.

1. Strategy, risk and opportunity*
2. Materiality*
3. Target setting and indicators*
4. Suppliers and the value chain
5. Stakeholder engagement*
6. Governance of CR
7. Transparency and balance

KPMG's findings indicated that the average quality score for all G250 reporters was 59 (of 100 possible). Almost all G250 companies (93%) publish a sustainability report. The highest scoring criteria overall were (1) Target setting and indicators, 68; and (2) Materiality, 66. The lowest scoring criteria were (1) Suppliers and value chain, 46; (2) Governance, 53; and (3) Stakeholder engagement, 53.

Overall the results indicated that in 2013 the concept of materiality remained largely absent in CR reports. Fifty-eight (58) % of reports made no mention of materiality. Of the 37% who reported limited or regular materiality assessment processes, 41% did not explain those processes. Only 5% of the G250 reported ongoing assessment processes related to materiality of issues. Neither was stakeholder engagement in the assessment of materiality mainstream practice in 2013. Over half of G250 reporters (55%) gave partial or no explanation of their stakeholder involvement in the assessment process.

Given the expanded and explicit requirements in G4 guidelines, one might expect to see greater efforts by sustainability reporters to incorporate the following characteristics:

1. More detailed information on governance and ethics and compliance processes
2. More integration of sustainability factors with financial reporting
3. More focus on materiality
    a) Identification and disclosure of material issues
    b) Regular materiality assessments (ongoing assessment of importance of issues)
    c) Inclusion of both internal and external stakeholders in materiality assessment
    d) Managing of material issues in order to improve performance (targets and outcomes reported)
    e) More transparency on materiality processes
4. More focus on supply chain
5. Strengthened stakeholder engagement processes
6. More external assurance of CSR reports

METHODOLOGY

Our study examines to what extent the G4 requirements have been implemented by a sample of companies in the Metals and Mining (MM) sector between their most recent previous G3 and G4 sustainability reports. The Metals and Mining sector was chosen because of the significant potential risks to both environmental and social well-being. In addition to examining inclusions of standard and sector-specific metrics, we specifically analyzed the following anticipated characteristics from the list in the previous section:

- Increased transparency on governance, ethics, and compliance processes
- Increased focus on materiality
    - MA identification process
    - Ongoing MA assessments
    - Increased stakeholder involvement
    - Increase in target versus outcomes reporting
- Increased focus on supply chain

Our sample consists of three companies headquartered and operating in geographically dispersed countries: AngloAmerican Platinum (AMPLATS) (South Africa), ANTAM (Indonesia), and BHP Billiton (Australia). Content analysis was used to identify similarities and differences in the reports of each of the companies between their G3 report (2012/13) and subsequent G4 report (2015/16). These reports were downloaded from GRI's online database. The standard reporting disclosures for the MM sector were used to identify what was reported in each report. The authors independently coded the reports and addressed different interpretations of the information so that the coding was consistent.

Additionally, content analysis identified differences in the process used to identify Material Aspects (MAs) in the G3 vs. G4 reports, including the stakeholder engagement process and information on each company's supply chain.

RESULTS

Results of standard and sector-specific (Metals and Mining sector) reporting disclosures for Environmental and Social aspects are reported in Tables 2[2] and 3 below. A simple coding format was used to indicate whether an item has been reported, partially reported, or not reported at all as indicated in the Legend in footnote 1.

2

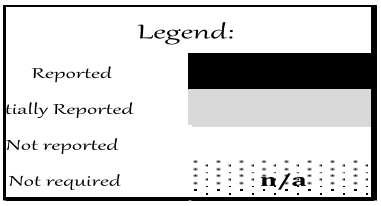

Table 2
Environmental Indicators

		AngloAmerican Platinum		Antam		BHP Billiton	
		2012 G3	2014 G4	2012 G3.1	2014 G4	2012 G3.1	2014 G4
Environmental	Indicator						
Materials	Materials used by weight or volume (non-renewable and renewable)						
	Percentage materials used that are recycled input materials						
	Energy consumption within organization (total non-renewable, renewable; electricity/heating/cooling/s						
	energy comsumption outside of organization	n/a		n/a		n/a	
	Energy intensity (intensity ratio, specific metric/denominator chosen, energy types in ratio, whether rati	n/a		n/a		n/a	
	Reduction of energy consumption from initiatives (in joules)						
	Reductions in energy requirements of products and services						
Water	Total water withdrawal by source (surface, ground, rainwater, waste, numicipal)						
	Water sources significantly affected by withdrawal of water (size, whether protected, biodiversity value, importance to local communities and indigenous peoples)						
	Percentage and total volume of water recycled and reused						
Biodiversity	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity outside protected areas						
	Description of significant impacts of activities/products/services on biodiversity in protected and high b						
	Amount of land (owned or leased, managed for production activities or extractive use) disturbed/rehabilitated						
	Habitats protected or restored						
	Strategies, current actions, future plans for managing impacts on biodiversity		n/a		n/a		n/a
	Total number of IUCN red list species and national conservation species with habitats in areas of operations (by level of extinction)						
	Number and percentage of total sites identified as requiring biodiversity management plans and number (percentage)			ith plans in place			
Emissions and waste	Direct greenhouse gas (GHG) emissions						
	Energy indirect greenhouse gas (GHG) emissions	n/a		n/a		n/a	
	Other indirect greenhouse (GHG) emissions						
	Greenhouse gas (GHG) emmissions intensity (ratio)	n/a		n/a		n/a	
	Reduction of GHG emissions						
	Emissions of ozone-depleting substances (DS)						
	Nox, Sox, and other significant air emissions						
	Total water discharge by quality and destination						
	Total amounts of overburden, rock, tailings, sludges and their associated risks						
	Total weight of waste by type and disposal method						
	Total number and volume of recorded significant spills (location,, material spilled)						
	Weight of transported, imported, exported, treated waste deemend hazardous per Basel Convntion and % shipped internationally						
Products	Identity, size, protected status, buidiversity value of water bodies/habitats significantlty affected by discharges of water and runoff						
	Extent of impact mitigation of environmental impacts of products/services						
	Percentage of products sold and their packaging materials reclaimed by category						
Compliance	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws/regs						
Transport	Significant environmental impacts of transporting products and other goods/materials for operations						
Overall	Total environmental protection expenditures and investments by type						
Suppliers	Percentage of new suppliers screened using environmental criteria	n/a		n/a		n/a	
	Significant actual and potential negative environmental impacts in the supply chain; actions taken	n/a		n/a		n/a	
Environ gri	Number grievances about environmental impacts filed, addressed, resolved through formal grievance m	n/a		n/a		n/a	

Comparison of the specific indicators of environmental and social performance in G3 and G4 revealed the need for adjustments before coding could take place. For example, one environmental indicator related to biodiversity impacts that was required in G3 was deleted in G4, while seven new environmental indicators were added in G4, resulting in a total of 30 indicators common to both G3 and G4. Three social performance indicators required in G3 were revised, combined, or deleted in G4, while seven new social indicators were added in G4, resulting in a total of 39 indicators common to both (G3=42; G4=46).

Table 3
Social Indicators

	AngloAm Plat		Antam		BHP Billiton	
	GRI 3	G4	G3	G4	G3.1	G4
Description	2012	2014	2012	2014	2013	2015
Total workforce by employment type, employment contract, region		n/a		n/a		n/a
Total number and rates of new employee hires and turnover by age, gender, region						
Benefits for ft employees not provided to temp or pt employees, by location/operation						
Return to work and retention rates after parental leave, by gender						
Percentage of employees covered by collective bargaining agreements		n/a		n/a		
Minimum notice periods regarding operational changes (and whether specified in collective agreements)						
Percentage of total workforce represented in formal joint management-worker health/safety committees that monitor/advise on occupational health/safety p						
Numbr of strikes and lock-outs exceeding one week's duration, by country						
Type of injury and rates of injury, occupational diseases, lost days, absenteeism, and total number work-related fatalities by region/gender						
Workers with high incidence/risk of diseases related to occupation						
Health/safety topics covered in formal agreements with trade unions						
Avg hrs training per year per employee by gender and employee category						
Proograms for skills management and lifelong learning supporting continued employability of employees and career ending assistance						
Percentage employees receiving regular performance/career development reviews, by gender and category						
Composition of governance bodies and breakdown of employees per employee category by gender, age, minority group, and other diversity indicators						
Ratio of basic salary and remuneration of women to men by category, and location						
Percentage of new suppliers screened using labor practices criterial	n/a		n/a		n/a	
Significant actual and potential negative impacts for labor practices in supply chain and actions taken (number suppliers assessed, having neg impacts)	n/a		n/a		n/a	
Number grievances filed, addressed, resoved through formal mechanisms	n/a		n/a		n/a	
Total number/percentage of significant investment agreements/contracts including HR clauses or screening						
Total hours employee training on HR policies/procedures concernings aspects relevant to operations, including percentage of employees trained						
Total number of incidents ofdiscrimination and corrective actions taken						
Operstions/suppliers identified where right to exercise freedom of association/collective bargaining may be violated or at significant risk, and measures taken to support these rights						
Operations/suppliers identified having significant risk for incidents of child labor and measures taken						
Oerations/suppliers identified having significant risk for incidents of forced/compulsory labor and measures taken						
Percentage of security personnel trained in organization's HR policies/procedures relevant to operations						
Total number incidents/violations involving rights of indigenous peoples and actions taken						
Total number of operations taking place in or adjacent to Indigenous Peoples' territories, and number and percentage of operations/sites where there are form				with IP's communities		
Total number and percentage of operations that have been subject to HR reviews or impact assessents						
Percentage of new suppliers screened using HR criterial						
Significant actual and potential negative HR impacts in supply chain and actions taken	n/a		n/a		n/a	
Number grievances about HR impacts filed, addressed, and resolved through formal grievance mechanisms						
Percentage of operations with implemented local community engagement, impact assessments, and development programs						
Operations with significant actual and potential negative impacts on local communities						
Total number and percentage of operations assessed for risks related to corruption and risks identified						
Communication and training on anti-corruption policies/procedures						
Confirmed incidents of corruption and actions taken						
Public policy positions and participation in public policy development and lobbying		n/a		n/a		n/a
Total value of political contributions by country and recipient/beneficiary						
Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and outcomes						
Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws/regs						
Number and description of significant disputes relating to land use, customary rights of local communities and Ips						
Extent to which grievance mechanisms were used to resolve disputes relating to land use, customary rights of local communities and Ips, and outcomes						
Percentage of new suppliers screened using criteria for impacts on society	n/a		n/a		n/a	
Significant actual and potential negative impacts on society in supply chain and actions taken	n/a		n/a		n/a	
Number of grievances about impacts on society filed, addressed, resolved through formal mechanisms	n/a		n/a		n/a	
Number (and percentage) of company operating sites where artisanal and small-scale mining (ASM) takes place on/adjacent to site, the associated risks and				o manage/mitig		
Sites where resettlements took place, number of households resettled in each, how their livelihoods were affected in process						
Number (and percentage) of operations with closure plans						

The percentage of the total required indicators of environmental and social performance under G3 and G4 in this sample of 6 reports is reported in Table 4.

Table 4
Actual versus Required Indicators Disclosed

	Environmental Indicators		Social Indicators	
	G3 Reports (31)	G4 Reports (37)	G3 Reports (42)	G4 Reports (46)
Fully disclosed	55%	46%	34%	27%
Partially disclosed	5%	11%	15%	5%
Not reported	40%	43%	51%	68%

Results reported in Table 4 indicate that the volume of metrics reported for both environmental and social performance decreased, particularly for the social indicators. This may be due to the learning curve in getting data for the increased focus of the G4 guidelines on reporting only those metrics related to Material Aspects of the entity as identified through impactful stakeholder engagement.

Our examination of the stakeholder engagement processes described by the sample companies provided modestly increased transparency around involving stakeholders in Material Aspects identification. AMPLATS described a shift in its MA identification process under G4 from G3. A graphic of its 2012 MA process suggested that management ultimately determined MAs by evaluating inputs from multiple sources, including "key stakeholders" along with financial, risk, and investor inputs. Its G4 MA process ties the determination of MAs directly to internal risk assessment *and* stakeholder expectations. The company further articulated the definition of "material" as any matter which, in the short, medium, or long-term, has significant influence on or is of material interest to stakeholders; substantively influences company's ability to meet strategic objectives; and/or has high degree of interconnectivity with other MAs.

The enhanced MA identification process of AMPLATS is apparent in Table 5. It is striking that a new MA category of "environmental impact management" was added in 2014, with 5 specific areas of reporting. The "stakeholder relationships" label was also new and included employee, community, government, and supply chain relationships. The "health and safety" category was clarified to include both employees and communities.

Table 5
Comparison of AMPLATS Material Aspects under G3 versus G4

2012 Material Aspects	2014 Material Aspects
1. Financial sustainability 2. Labor management and relations 3. Safety and health performance 4. Regulatory and minerals legislation compliance 5. Access to resources 6. Community impacts and expectations	1. Optimizing production 2. Stakeholder relationships a. Maintaining effective relations b. Investing in employee relations c. Delivering benefits for local communities d. Engaging with government e. Transforming supply chain

	3. Health and safety a. Safety b. Workplace health and well-being c. Community healthcare 4. Environmental impact management a. Water stewardship b. Energy and climate change c. Air quality d. Waste management e. Responsible land management and mine closure 5. Compliance

In its G3 Sustainability Report in 2013, BHP Billiton reported its approach to determining Material Aspects through an internal risk management analysis, but its stakeholder engagement approach was not linked to determination of MAs and communication was mostly from the company to various stakeholders, rather than two-way communication. By contrast, BHP provided in its 2015 G4 report a detailed and systematic approach to gathering input "in a robust consultation process with a wide range of local and international external stakeholders, which included members from the Forum on Corporate Responsibility, non-government organizations, suppliers, peer organizations, local and indigenous communities, industry associations and investment communities." (p. 7). But this consultation process to determine Material Aspects took place in late 2014 and was followed by review at the Board level. The timing was very late in creating BHP's 2015 Sustainability Report if a process for gathering new data had to be designed, approved, and implemented. It will be useful to examine BHP's 2016 Sustainability Report to see if the company provides more complete MA data.

Regarding the sample companies' focus on transformation in their supply chains, our examination revealed that only ANTAM directly addressed this goal. In its G3 report (2012), the company merely mentioned doing business with small local businesses, whereas in 2014 it included a new major section "Supply Chain" in which suppliers were classified into: General goods and services with low dependence; and Specific goods and services sensitive to environmental, human rights, and employment issues. ANTAM initiated screening and periodic assessment along with specific minimum expectations in contracts related to environmental risks and performance reporting.

While AMPLATS included supply chain transformation in its MAs for 2014, it did not report specific activities in that regard. There was no significant focus in the G4 report on supply chain by either AngloAmerican Platinum or BHP Billiton as prescribed by G4 reporting guidelines.

CONCLUSIONS AND SUGGESTIONS FOR FURTHER RESEARCH

This paper provides a preliminary analysis of the data that compares disclosures on G3 and G4 indicators for three firms in the Metals and Mining sector. Due to space constraints for the Proceedings, the paper provides more analysis of the Material Aspects and processes to determine them than of the many other interesting findings from the data analysis, such as how companies were similar and different on disclosures of climate change and human rights issues.

This research approach begins to build a basis for more fine-grained analysis of sustainability reports because G4 requirements not only provide more information but also incorporate the more material aspects of company performance, relieving companies of the need to report on items not deemed important by key stakeholders and making the reports more relevant to users of these reports. That is, stakeholders should more easily be able to identify material impacts of companies affecting them. Executives too should benefit from a focus on more material aspects of their company's activities.

Clearly these three companies can do a better job of disclosing their environmental and social performance by more explicit linkage between their Material Aspects and the metrics they include in their reports. We found that in some cases there were aspects articulated as material that were either not measured or reported, or that the reported metrics were insufficient. If their Sustainability Reports do not improve in future years, it casts doubt on the credibility of the companies and even the value of voluntary GRI reporting standards.

In terms of next steps in the research stream, our limited sample could be expanded to more organizations in the Metals and Mining sector, as well as studied longitudinally to better determine annual progress to better incorporate the G4 disclosure requirements. A larger sample would increase the geographic diversity of the companies in this sector to examine whether local culture, laws, and regulations have an influence on disclosure, compared with headquarters country culture, laws, and regulations. Moving beyond studies of one sector, various comparative studies of different sectors will provide a better understanding of which companies and sectors are leaders in sustainability reporting and which need to be persuaded to participate in more thorough disclosure of their performance.

One final observation: we caution scholars to be prepared to deal with sometimes confusing disclosure reporting practices. Often, we identified a tendency toward narrative over metrics measurement and benchmarking against goals. Clearly a single case study in a large multi-national mining company is not sufficient to provide disclosure of company-wide practices and performance. Alternatively, it was often challenging to read hundreds of pages to find specific information. We often observed to one another that these reports are not meant for the casual reader or even the dedicated stakeholder looking for information to assess companies. Companies have complete discretion in organizing and presenting their data and need to be concerned about information quality, quantity, and overload. Despite these challenges, we believe that research about what types of non-economic activities companies choose to report on and how much information they disclose is quite valuable for the business-and-society/business field.

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Corporate Social Responsibility and Performance

Government-Business Partnerships for Radical Eco-Innovation

Haiying Lin[1]

INTRODUCTION

In recent decades, the magnitude and urgency of significant environmental challenges—natural resource depletion, the grand scale of species distinction, widespread deforestation, increasing desertification, transnational air pollution and water usage (all related intimately to the meta-environmental issue of climate change) (Heintzman, 2006)—requires a call for transformative change that bypasses existing routines and initiates new mechanisms of knowledge sharing and invention (Hart & Milstein, 2003). Radical eco-innovation is a means of achieving such transformative change and substitutes existing unsustainable practices with radically improved technologies, products, and services that are environmentally friendly (Kemp, 1994). Emerging environmental challenges associated with global sustainability may be catalysts for a new round of radical eco-innovation offering unprecedented business opportunities (Hart & Milstein, 1999). For instance, businesses seek to redesign current product systems and launch new products and services with fewer or zero environmental impacts.

These sustainability-related business opportunities, in incorporating environmental and social concerns into development of new markets, create public goods with unpredictable private benefits, the promotion of which thus calls for public sector involvement. In recent years, governments have begun fostering more decentralized approaches in policy and production of scientific knowledge in an effort to better accommodate the complexity of environmental decision-making (Lalor & Hickey, 2014). They increasingly act beyond the traditional role of regulator (Manring, 2007), becoming active participants in government-business partnerships (GBPs) in an attempt to foster more impactful environmental change (Lin, 2014). In this context, GBPs coordinate public (government agencies or government-sponsored laboratories) and private efforts, sharing resources, risks and mutual benefits with an eye towards transforming existing environmental practices and the underlying values, assumptions and rules.

Despite the significance of GBPs formed for transformative change, their conceptualization is rather limited, as is their in-depth empirical investigation (Roehrich, Lewis, & George, 2014). While a few innovation-related studies have assessed GBP effectiveness by means of a case study design (e.g. Kaiser & Kuhn, 2012; Robin & Schubert, 2013), those studies focused on conventional innovation and a limited EU context. The growing body of literature has taken two directions: either GBPs as an alternative financial mechanism that attracts private investment in public infrastructure; or GBPs as an alternative public service delivery mechanism with enhanced efficiency (Selsky & Parker, 2005; Lin, 2014). GBPs as a deliberated strategy mechanism that champions transformative environmental change is rarely covered in the GBP literature. Given the complexity and scope of environmental

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challenges, it is important to understand whether GBPs create a unique platform that targets profound environmental impacts via the promotion of radical eco-innovation.

In this regard, the extant cross-sector partnership (CSP) literature has investigated CSP formation for sustainability-related improvements (e.g. Selsky & Parker 2005, 2010). This scholarship, however, also has its limitations as it concentrates on the collaborative interface between businesses and non-government organizations (NGO) (Selsky & Parker 2005; Bryson, Crosby, & Stone, 2006; Le Ber & Branzei, 2010), and GBPs received relatively limited coverage. A few studies (e.g. Lin, 2014; Stadtler, 2015) have specifically explored the antecedents of GBP formation for environmental improvements and the governance of such partnerships. However, the extant literature does not fully explain how these GBPs are operated, nor whether they encourage partners to pursue more radical innovation goals or simply incremental, and suboptimal, environmental improvements. Currently there are no benchmarks, guidelines, or criteria, for either public or private sectors to measure the extent GBPs contribute to sustainable development (Urio, 2010). These questions have important policy implications because policy makers need to know the success of GBPs in achieving sustainable development so they can allocate resources effectively.

This paper addresses these questions by investigating the operation of GBPs (e.g. alliance learning and governance) and their intended eco-innovation goals. Ramesh, Nagadevara, and Naik (2010) cited Coase (1960) to propose the transaction cost logic of GBP formation. Following this logic, I view GBP formed for radical eco-innovation from a mixed or common good perspective. I suggest that radical eco-innovation (e.g. clean technology), due to its inherent technical uncertainty and financial unpredictability, results in less certain private goods to participating firms, and thus justifies GBP formation. I then explain the operation of GBPs in their pursuit of radical eco-innovation from four dimensions—governance, high-order learning, exploration learning, and rule making. These elements explain why GBPs are fitting vehicles for the promotion of radical innovation.

Theory and Hypothesis Development

Reactive vs. Radical Environmental Solutions

Reactive environmental solutions respond to changes in environmental regulations and stakeholder pressures via investments in end-of-pipe pollution control measures (Aragon-Correa & Sharma, 2003). End-of-pipe pollution control technologies include a multitude of biological and chemical systems used for treating water, barrier systems used for treating air, and disposal methods for other forms of solid waste (Henriques & Sadorsky, 2005). These solutions usually involve the use of pollution-eliminating or sorting instruments. On other hand, incremental environmental solution encourages better maintenance, material substitution, recycling, and innovative procedures to decrease, or prevent, toxic emissions and waste during manufacturing processes and product use (Hart, 1995). Such measures may, however, face constraints when dealing with grand environmental challenges such as deforestation, biodiversity loss, and climate change. Such complex environmental issues have driven demands for radical eco-innovation (e.g. clean technologies) that produce cleaner fuels and power, developing new methods of sustainability within existing markets, or driving a major transition that alters existing markets or creates new ones (Christmann, 2000; Sroufe et al, 2000; Hoffman, 2005; Etzion, 2007). This is the most proactive environmental solution and is variously referred to as a "leading edge" approach (Roome, 1992) or "business redefinition" (Sharma

& Henriques, 2005). Within the government authority, the scope of complex environmental issues has made instituting multi-jurisdictional controls a challenge (Lin & Darnall, 2015). Increasingly, many governmental agencies are going beyond the limitations inherent in regulatory system requirements and collaborating with businesses to foster more radical eco-innovation.

Comparing the three types of environmental solutions (specifically reactive, incremental, and radical ones), one point of departure is "the distinction between incremental solutions, which advance existing technology, and radical innovations, which develop new technology" (Greve, 2007, p. 947). These three environmental solutions reflect firms' stance towards the natural environment and the extent of risks they are willing to embrace in addressing environmental problems.

A Common Good Perspective of Environmental Solutions

Economists define a public good as being non-rival and non-excludable in that individuals cannot be effectively excluded from use and where use by one individual does not reduce availability to others (Varian, 1978). Examples include basic research and national defense. On the other hand, a private good is rival and excludable, and it yields positive private benefits (Walter, 2004). Common goods are rival but not excludable, having elements of both public and private goods: its supply can be depleted, but people are not restricted in their use of the good, which are susceptible to the Tragedy of the Commons (Hardin, 1968). Examples include fish in the ocean and resources in the environment.

Environmental issues create negative externalities and the states and the markets are two of society's main mechanisms for coordinating activity related to the treatment of these hazards (Coase, 1960). Since addressing these issues provides both public and private benefits, Coase (1960) used the proper allocation of cost and benefits related to the treatment of environmental externalities to determine whether the market or state should be in charge of the treatment (Ramesh et al, 2010). Building on Coase (1960), Ramesh et al (2010) suggest that when environmental treatment generates public goods, it will be the responsibility of public organizations; however, if private goods are derived out of the treatment, private organizations are expected to be in charge. For instance, some inter-firm alliances were formed to spread pollution control product and services in response to the command and control legislations in the late 1980s (SDC platinum, 2013). Firms undertaking such a compliant-based approach mainly focus on their own environmental hazards, risks and potential threats. Therefore, such a risk reduction scheme derives direct compliance-related private benefits to the organizations. Such pollution control solutions tend to exploit current knowledge and thus contain fewer risks and are more certain to derive private benefits. Therefore, according to Coase (1960), it is possible to let private sectors handle environmental solutions with certain private benefits.

However, in some environmental solutions the distinction between public and private goods is not very clear. These are deemed mixed or common good, and hence to be provided by GBPs (Ramesh et al, 2010). Building on the transaction cost framework articulated by Coase (1960) and Ramesh et al (2010), GBP is superior to both the government bureaucracy and competitive markets in promoting common good, where public actors will be involved because of the positive externalities, but would not do it alone because of internal inefficiencies. Similarly, private sectors will be involved

provided they receive the necessary returns, but would be reluctant to undertake these activities on their own because they might not give them sufficient private benefits (Ramesh et al, 2010).

Radical Eco-innovation and GBP: A Risk & Common-Good Perspective

Radical eco-innovation is a mixed or common good. Lin (2014) suggests that GBPs are likely to form when firms' resources or social positions are strong, which allows them to leverage government power to develop strategic opportunities related to environmental improvements. Radical eco-innovation is one such strategic opportunity for partnering firms, since it not only drives decisive ecological and societal change (public goods), but also has the potential to provide partnering firms first-mover advantage with tremendous market benefits (private goods). The common good nature of radical eco-innovation justifies the formation of GBPs for this endeavor. This position is further enforced by the high risk associated with radical eco-innovation. Managers are hesitant to invest in radical eco-innovation because the economic returns or private benefits of such innovation are uncertain, or may only occur in the long term. Moreover, the social value of radical eco-innovation, partially due to the existence of research spillovers, may lie above its private return. Firms are thus unable to fully internalize the benefits of their R&D efforts. This external effect and the enhanced business risk leads to under-investment in eco-innovation from a social point of view and thereby justifies governmental intervention and involvement.

In this context, firms aiming to launch radical eco-innovation increasingly turn to governments for additional policy endorsement, financial subsidies, and technical support. Developed nations, especially OECD countries, tend to provide public support for innovative activity in the private sector through an appropriate mix of direct and indirect instruments such as tax credits, direct support, and well-designed GBPs (OECD, 2007). GBPs for inventions, since legalized by the EU and Northern American policy makers in the mid-1980s, have become popular over time (Caloghirou et al., 2003), and gradually evolved to the principal form of research cooperation (Hagedoorn, 2002, Kaiser & Kuhn, 2012).

Related to the research and development for radical eco-innovation, many developed nations, such as Germany, Japan, Canada, and the United States, have increasingly leveraged GBPs to promote clean technology and renewable energy. For example, Canada's federal government created GBP Canada in 2008 and offered it USD 1.1 billion to help finance renewable energy deals at the national, provincial, and municipal levels.

These GBPs operate in between the market and state to undertake deliberate actions that initiate, shape, and/or enforce a radical innovation path diverging from current practices and routines. Given the complexity and scope of environmental challenges, GBPs have the potential to generate rapid and far-reaching environmental change impacts, partially due to the complementary logic when the public and private partners share critical resources (e.g. power, funding, technical expertise) that cannot be easily exchanged by means of market transactions. The GBP setting offers unique advantages since government partners can provide firm partners better access to decision makers and opinion makers, and they have better bargaining skills, reputations, coalition building abilities, and possess political entrepreneurship (Frynas, Mellahi, & Pigman, 2006). Government partners may provide incentives and infrastructures in a way that can help firms develop, deliver, promote, and

evaluate various policies, programs, or initiatives, which may accelerate the search for and adoption of radical innovation.

Moreover, a GBP setting can channel mutual resource commitment with less concern of knowledge leakage, which may encourage more intensive knowledge transfer and exploration learning across partners. In addition to the generation of technical expertise, GBPs may facilitate mindset change among partners, and enable new rule making that helps stimulate a radical eco-innovation pathway and thus scale up environmental change impact. These operational elements of GBP will be elaborated in detail in the next section. Based on the above analysis, I posit:

Proposition 1: GBPs are more likely to be associated with firms' pursuit of radical eco-innovation.

Operationalize GBPs for radical eco-innovation

In this section I assess how GBPs enable partners to pursue radical eco-innovation through: 1) alliance governance—governing risk in collaboration; 2) high-order learning—changing the risk perception of firm managers; 3) exploration learning—developing technological leverage; and 4) rule-making—scaling up change impact through policy change.

Effective Governance

Strategic alliances are typically governed by varying contractual mechanisms, which range from equity alliances (e.g., joint venture) to non-equity alliances (e.g., joint R&D, joint-marketing, long-term sourcing agreements) (Gulati, 1995b; Dacin et al., 2007). An increasing number of studies have related firms' choices of governance structure (equity vs. non-equity) to innovation or new product development (e.g., Kok & Creemers, 2008; Kogut, 1988). These studies suggest that firms seeking innovation or new product development tend to choose non-equity alliance structures due to the flexibility this type of structure allows for firms to engage in explorative activities. Conversely, equity alliances tend to be adopted to exploit current competencies, and their rigid governance structure is seldom feasible for innovation development (Linnarsson & Werr, 2004).

Therefore, GBP for eco-innovation may choose a non-equity alliance structure to maintain firm partners' independence, innovativeness, and flexibility so that they can respond quickly to changing market conditions in pursuing innovation. While the non-equity structure provides the flexibility needed for GBPs to pursue radical eco-innovation, such structure also increases opportunism risks due to its relatively weak governance control (Lin & Darnall, 2015). GBP for eco-innovation thus calls for an effective self-enforced governance structure to effectively mobilize and leverage resources from public and private partners for eco-innovation.

Following Williamson (1983) and Dyer and Singh (1998, p. 669), self-enforcing safeguards are examples of effective governance created intentionally to control opportunism "by aligning the economic incentives of the transactors". In case of GBPs, a mutual resource commitment or "economic hostages" from the public and private partners could act as an effective governance structure. These hostages may include "the commitment of nonrecoverable, symmetric investments in specialized or cospecialized assets, which constitute a visible collateral bond that aligns the economic incentives of exchange partners" (Dyer & Singh, 1998, p. 669). Specifically, such

economic hostages may incentivize public and private partners to collectively engage in value-creation initiatives (radical eco-innovation) since opportunism will decrease the common investment in value, whereas proper collaboration creates collective value (Dyer & Singh, 1998). Moreover, such a governance model diminishes the need of an expensive and rigid equity control, while providing the flexibility and commitment needed for radical eco-innovation.
Based on the above analysis, an investment-based, non-equity governance structure not only reduces transaction costs, but also enhances the willingness of alliance partners to engage in radical innovation activities. Such effective governance helps secure the required commitments for the initiation of significant changes in processes or entirely new production technologies. I thus propose:

Proposition 2: GBP is likely to be associated with investment-based, non-equity governance in the pursuit of radical eco-innovation

Higher-Order Learning

Radical eco-innovation, tailoring solutions to complex environmental problems, has inherited risks and uncertainty. Compared to conventional innovation, radical eco-innovation targets market and social values, is more complex to design, and exhibits greater market and political uncertainty. It not only needs a transformation in technological expertise, but also a better appreciation and integration of different partners' values, concerns, and time frame in environmental investment. Facilitation of radical eco-innovation thus calls for higher-order learning, which "involves the development of different interpretations of new and existing information, as a result of developing new understandings of surrounding events" (Sharma and Vredenburg, 1998, p. 740). Higher-order learning is necessary for GBPs to embark on eco-innovation, since it sustains private partners' interest and long-term commitment in radical eco-innovation

As suggested in the above section, in pursuing radical eco-innovation, GBP may leverage mutual investment and economic hostage to create a visible collateral bond that aligns the economic incentives of exchange partners. This helps generate intensive communication and interaction among alliance partners that help facilitate higher-order leaning. Building on Lavie et al' s (2010) findings, maximizing the value of existing resources in an exploitation alliance means there is less need for intensive interaction regarding knowledge creation and transfer. In contrast, the joint knowledge and capability building in exploration alliances require close interaction, which exposes firms to their partners' norms, values, cognitive thinking, and mindset. This intensive interaction, communication, and co-learning between business and government partners helps develop strong personal connections and relationships. Such interactions facilitate higher-order learning wherein managers, through their association with their government partners, gradually develop different interpretations of environmental problems and the means to address them.

This higher-order learning allows managers to recognize the associated private benefits and market opportunities related to radical eco-innovation. Some managers may experience major cognitive reorientations involving changed norms, values, world-views, and frames of reference. They may become more positive in their thinking and approach, and develop shared sustainability vision among partners. This mindset shift through higher-order learning remains an incentive for GBP partners to discover new products and markets, which may, in turn, facilitate their ability to create

transformative environmental changes through the pursuit of radical eco-innovation. As such, I suggest:

Proposition 3: *GBP is likely to be associated with higher-order learning in the pursuit of radical eco-innovation*

Exploration Learning

In view of the uncertainty involved in developing innovative eco-friendly technology, products, and services, radical eco-innovations are a form of organizational exploration. Exploration learning, emphasizing the development of the new and unknown, may offer firms a chance to break away from the extant knowledge path and a shift to a different technological trajectory (March, 1991; Benner & Tushman, 2002, p. 679). Exploitation learning, in contrast, emphasizes things already known, thereby helping the partners maximize their returns from knowledge developed in the past (March, 1991). Compared to returns from exploitation, returns from exploration are highly "uncertain", "more remote in time", "more distant from the locus of action" (March, 1991; Lavie, et al, 2010, p. 116).

GBPs are likely to be leveraged for exploration learning in their pursuit of radical eco-innovations. GBPs bring partners together from the business (e.g. corporate research center) and public sector (e.g. lab), thereby increasing their capabilities' complementarity regarding exploration. This partner structure allows the combination of heterogeneous competencies and perspectives to stimulate organizational learning, and create the "technology fusion" that has become increasingly important in the search of innovation (Sakakibara, 1997). During this process, multiple actors are involved in technological paths emerging in real time (Pinch & Bijker, 1987). These actors generate learning while experimenting with new technologies (Garud & Karnoe, 2003). GBPs provide firms with the framework under which to undertake such experiments.

Further, GBPs may facilitate tacit knowledge transfer across partners, which enhance GBP partners' likelihood to conduct exploration learning. Traditional alliance scholars argue that competition, or a learning race, is the main obstacle to inter-organizational learning and tacit knowledge spillovers (Khanna et al, 1998; Inkpen, 2000). However, in GBPs, public and private partners are less concerned about competitive risks and knowledge leakage, which may boost the exchange of tacit knowledge between them. As such, partners are likely to share valuable information, knowledge, technology, people, and other critical resources. Based on the above analysis, I suggest:

Proposition 4: GBP is likely to be associated with exploration learning and new product (technology) development in the pursuit of radical eco-innovation.

Rule-Making

The role of power and politics in innovation has been thoroughly researched (see, e.g. Frost & Egri, 1991; Hardy & Dougherty, 1997; Simon-Lee, 2015). GBPs are likely to be involved with policy sanctions and rule making, mainly due to the power and politics resource controlled by the government partner, which include information, know-how, funding, network, rewards, and the ability to impose sanctions. Since the government controls the critical resources on which the private sector depends, managers who know the importance of power 'tools' may seek government partners

when they seek to initiate a new eco-innovation path. In parallel to the power resource of government, the necessity to trigger transformative environmental change also calls for government to play stronger roles in directing and enforcing a radical eco-innovation path through the mechanism of GBPs.

In such a context, profound environmental impacts could be achieved by the deliberate actions of GBP partners to develop new rules or policy that transform corporate operation, the industry landscape or even institutional environment. For example, New World Village Power Corporation (NWVPC) is a market leader with the experience of generating electricity through its assets in renewable energy markets. In 1994, NWVPC collaborated with the city of Port Severn, Ontario, which provided its infrastructure capacity, market incentives, and technical assistance, and allowed NWVPC to build and operate a diesel and wind power station in Port Severn. This GBP combined the complementary resources of the government and the private sector, and jointly evaluate and implement city policies to speed up the commercialization of wind energy in Port Severn (SDC Platinum, 2013). Based on the above analysis, policy change and rule-making expedite radical eco-innovation and stimulate the search of transformative change possibilities, thereby lending a GBP an edge in initiating and/or shaping a radical innovation path.

Proposition 5: GBP is likely to be associated with rulemaking in the pursuit of radical eco-innovation.

Discussion and Conclusion

This study enriches CSP and GBP literature by highlighting that GBP has the potential to promote radical eco-innovation that brings decisive social and environmental change, especially when specific environmental issues confront firm boundaries (Wassmer et al, 2014). Most of these issues arise from the inadequate provision of common environmental goods, often referred to as the "underinvestment" dilemma, especially evident in the energy sector (Kolk et al., 2008, p. 263), in which neither the state nor the firms make satisfactory investments. GBP, through channeling public and private efforts and sharing investment risks, is a critical vehicle for the search of radical eco-innovation.

This study further delineates GBP operation from governance, awareness, exploration, and policy aspects. I suggest that in pursuit of radical eco-innovation, GBP enables explorative learning and experiment, facilitates new eco-friendly product (technology) development, enhances sustainability value and vision among partners, and enacts environmental rule making. To this end, this study contributes to GBP scholarship (e.g. Bryson et al., 2006; Stadtler, 2015) by explaining why GBPs are well positioned to pursue a radical eco-innovation path. These results resonate with the propositions from Majumdar and Marcus (2001) and Starik and Heuer (2002), who argue that environmental policies should move away from prescribing technological solutions and allow for more flexible strategies that promote innovation in products, processes, and technologies. They suggest that governments may also consider going beyond their traditional regulatory role and explore alternative roles as collaborators and enablers that bear great environment change potential. GBP's involvement in new product development, awareness building and rule-making may act as alternative policy mechanisms that help transform extant practices, rules, and beliefs that are deeply entrenched in the extant institutional environment. In this regard, this study contributes to alliance learning (e.g. March, 1991) and technological path constitution literature (e.g. Garud & Karnoe, 2001) by

highlighting GBPs' potential to convene public and private parties in alliance learning, awareness building, and policy-making which may facilitate the initiation and/or shaping of a chosen innovation path.

Further, the study also enriches environmental strategy literature. Environmental strategy scholars (e.g. Hart, 1995, Aragon-Correa & Sharma, 2003) delineated a "roadmap" for sustainability and call for firms to move beyond their reactive environmental stances and undertake more radical environmental solutions. However, firms' unilateral efforts generally encounter resource constraints. Increasing CO_2 emissions, growing waste and energy consumption, and many other environmental challenges calls for collective actions from business, government, and civil society in transforming common practices, technologies, rules, and beliefs deeply entrenched in the institutional environment (Hart, 2005).

Policy Implication and Future Study

GBPs work at the intersection of markets and regulations to deliver common goods and bring about social and environmental change that none of the partners could achieve alone. They encourage innovative and knowledge-creation activities, as various public and private partners are better able to share resources and risks associated with eco-innovation. GBPs also engage partners for awareness building and environmental policy enactment in a way that may facilitate the scaling up and expedition of the environmental change process. Therefore, within the promotion of GBPs, there are potential opportunities for public and private actors to collectively respond to today's environmental concerns. This unique platform has the potential to greatly reduce uncertainty and mobilizes critical resources from the public and private sector to initiate or shape a radical eco-innovation path with far-reaching impact to society and the natural environment.

This study has important policy implications, which entails an increase in governments' deliberation regarding complementing environmental command-and-control policies with voluntary strategies, like GBPs, which incorporate greater stakeholder involvement and environmental improvements (Starik & Heuer, 2002). It confirms the government's potential in designing and directing GBPs as an alternative policy scheme to channel private and public efforts towards the promotion of radical eco-innovation.

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Social Entrepreneurship and Social Enterprise

Stay With Me: An Investigation Into The Durability Of Social Capital Accumulation For Urban Entrepreneurs

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Abstract: Using the lens of neo-localism and sustainable livelihoods, this paper considers the process and outcomes achieved through networks of locally-based entrepreneurs. Guided by a grounded theory approach, interviews with several entrepreneurs in the Sustainable Business Network of Philadelphia were conducted. Based on these findings, we were able to identify eight strategies that provided benefits to the firms and the broader network. These strategies further enhanced in the livelihood assets of the community, including human, social, financial, natural, and physical capital.

Keywords: Entrepreneurs, Neo-Localism, Urban Livelihoods, Social Capital

INTRODUCTION

Globalization. The concept, the direction, the implications are deeply woven into current economic and political thinking. Consider further some of its direct manifestations: the "global economy", global businesses, global media, global markets, and global supply chains. This is a time where it is almost unthinkable, and certainly impractical, to imagine our lives could be lived outside of a "global community". Two additional characterizations of globalization can be offered. First, the globalization trend drives our attention *outward* past provincial boundaries of neighborhoods, communities and countries. Modern communication technologies, social media being a prime example, connect us with nearly everyone on every corner of the globe. We can exchange blogs, tweets, comments, audio, video, gaming experiences, and web links with almost the entire human population (e.g. A dog in the single-pane cartoon, sitting at computer telling his nearby canine companion, "Hey, I'm barking at a cat in Australia"). We can meet and interact with persons who share our common interests. In this quest we are also likely to discover other persons hostile to our interests; up to and including vigorous (e.g. cyber-bullying) or potentially violent opposition. Second, globalization tends to be deeply rooted by normative *economic* considerations. Global markets provide new sources of revenue; global supply chains broaden opportunities to acquire newer, better, and/or cheaper inputs. These qualities, desirable as they may be in many respects, can also have unintended, significant and disruptive impacts on the quality of life for many persons and communities. We inevitably face some difficult realities; not everyone gets a ticket on the globalization train; some are left behind, some are even run over.

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The disruptive effects of globalization are not just absorbed by the dis-enfranchised, though we may justly begin there. All humans, through life experiences, develop attachments. These attachments help us form an identity; they remind us *where* we came from, *who* has been a part of our journey. Attachments also help establish a sense of *shared purpose*.

NEO-LOCALISM

Over the past twenty-five years, communities have reacted to corporatization and globalization by consciously moving towards (re)-establishing and cultivating local community ties, a phenomenon referred to as neolocalism (Shortridge, 1996). Noted first as a reaction to the lack of a sense of 'place' or connection through a common geographical identity (Shortridge, 1996), neolocalism has also help to buoy local economies. Small and micro-businesses contribute to the economic vitality of the communities in which they are embedded (Anderson, 2013; Trillo & Naatus, 2015), because money spent at a locally-owned business is much more likely to stay in the community than money spent at a big box retailer ("American Express open index of independent retail vitality," 2011; Anderson, 2013; Schnell, 2013).

Neo-localism represents a countervailing, though not inherently destructive, trend alongside globalization. While globalization's primary offerings is to provide us more relationships, more and cheaper products its ability to generate and sustain attachments, identity and purpose is far more limited. Neo-localism efforts, where successfully introduced, can re-invigorate communities that may be diminished by globalization forces and re-energize a sense of control within its communities (Parnwell, 2007). The nature of neo-localism initiatives or phenomena is presented in the following illustrations.

Schnell (2013) connects neo-localism programs in the United States with the popularity of micro-brewing, regional wineries and agriculture. Locally-brewed beer and locally-cultivated wine establish strong identities associated with a particular region, albeit in different ways. The prime ingredients used by a local brewery may come from outside the local region. Micro-brewing tends to emphasize the artistry and craft of the brewing process, i.e. the *people* involved in production. Micro-breweries also emphasize local themes in product names and marketing efforts. In contrast local wineries seek to directly link the product to the *location* of wine cultivation; the soil, the topography, the climate. Schnell further proposes that the "local food movement" (including farmers' markets, "eat local campaigns", and community sponsored agriculture) as an especially prominent illustration of neo-localism. Local movements are centered on the desire by producers to establish closer and deeper connections with their customers, and the perception by consumers that locally-sourced food is safer, healthier and more sustainable than large-scale commercial alternatives. Interestingly, Schnell notes that,

> …counties with a CSA or microbrewery also have a smaller percentage of their population born in that county than counties without such enterprises. This lends support to the argument that people are driven to neolocalism in part out of a search for rootedness, a desire no doubt felt more keenly by people who have been on the move (p. 77).

A desire for a sense of place appears then to be more or less a constant in the human condition. To varying degrees we each seek it. And to varying degrees we may never lose it. Brain (2011) also uses

the lens of neo-localism to describe the local music scene in Portland, Oregon. Developing a connection with the Portland area allowed bands to develop stronger identities and relationships with their followers.

Neo-localism has been at the center of several case studies of regional economic development, especially in developing nations. Parnwell's research on re-development efforts in three north Thailand villages is an appropriate example. Economic and political changes beginning in the 1960s initiated a disruption of village life. Several components of *social capital* were threatened by efforts aimed at integrating these villages into a large network of commercial relationships. Core values also came under stress as traditional healing practices and spiritual leadership roles (Buddhist monks) were supplanted with more modern and rationalized approaches. Parnwell describes that villages that had previously been mutually supportive in terms of health, commerce and resource use were now, "much more differentiated, competitive, and commercially oriented" (p. 1004). Migration, deforestation, and a general pattern of environmental degradation all contributed to a sense of weakening social ties. Parnwell describes multiple initiatives aimed at reversing the debilitating effects of weakening social capital. These include a strong role for "development monks" within the community (re-introducing an alignment between spiritual and material lifestyles), an integration of modern and traditional approaches to healing, the introduction of a community-based currency and the creation of a community rice mill oriented more toward the interests of local farmers rather than making a profit for the financiers.

Schnell and Parnwell both emphasize that to be effective neo-localism efforts must be at their core "grass-roots" and locally-driven. Effectiveness depends on participant planning and involvement. These cannot be initiatives that are driven by external forces such as NGOs, social entrepreneurs or governments. They both acknowledge also a duality to neo-localism, that is, these efforts can create "insiders" and "outsiders". There is a risk that a sense of bigotry or xenophobia may be associated with neo-localism (Schnell, p. 81). Parnwell also acknowledges the possibility "… that social capital networks and systems can be exclusionary as well as inclusionary, and can operate to the disadvantage of those who cannot draw upon social support in times of need or when opportunities arise (p. 991). Hence these initiatives are best viewed in the appropriate context and with a full view of implications.

URBAN LIVELIHOODS

Neo-localism conceptions have a broad range of implications. Particular attention however has been devoted to how neo-localism can play a positive role for in the lives of the impoverished, dis-enfranchised or anyone otherwise left on the wrong side of the globalization trend. Give inevitable presence of globalization, innovation and market capitalism, can complimentary mechanisms be put to place to ensure as many people thrive and enjoy life as possible? To consider this question, we must also consider what sort of enrichment should be sought.

The notion of "livelihood" is potentially beneficial here. This is defined as, "… the capabilities, assets (including both material and social resources) and activities required as a means for living (Carney, 1998 p. 4). Five forms of capital provide the foundation for livelihood: human, social, financial, natural, and physical. For any person or group there is likely to be a disproportionate possession (or lack of) of one or some types of capital. To fully assess the "wealth", all forms of

capital should be considered. Rakodi (2002) also suggests it is most efficacious to begin such assessments with strengths or possessions rather than what a group may be lacking.

Krantz (2001) endorses the livelihood concept. Many of the current determinants of poverty focus on a limited measure such as lack of income. In addition to considering capital sources such human, social and natural, a systems approach including institutional processes and structures also aides in developing strategies aimed at enhancing livelihoods. Institutions frequently mediate the processes by which resources (human, physical, financial) are allocated the outcomes that are realized. These mediation processes included power dynamics, prevailing norms and values, and patterns of social relationships (p. 10).

Enhancing Urban Livelihoods through Neo-localism

Addressing what might rightly be considered community deficiencies is certainly a problematic endeavor. Attention is naturally given to improving (or increasing) certain economic conditions such as income or wealth. There are, of course, outcomes to be valued other than monetary ones. Health, education, cultural opportunities are also elements that contribute to the quality of our lives. There is, we would argue, a moral responsibility that those who have shall enable those who have not. The key is to "enable", as opposed to "help" or "assist". Experience tends to suggest that genuine involvement is a necessary condition to sustained and sustainable progress. Sustainable business communities are a major driver of the local economy movement.

Sustainable business communities, defined as 'place-based networks of independent, locally-owned businesses committed to generating social and environmental value in addition to economic value' (Moreno, 2014, p. 151), have arisen in over 80 cities in the U.S. over the past twenty years ("BALLE- Business Alliance for Local Living Economies,"). Evidence suggests that these communities or values-based clusters (Porter, 2000; Russo, 2010) have generated positive economic and social benefits for their communities and the cities in which they reside ("BALLE- Business Alliance for Local Living Economies," Marques, 2012; Moreno, 2014). One of these benefits is the goodwill created through social relations that can be mobilized to facilitate the attainment of needed resources, influence, and sponsorship known as social capital (Adler & Kwon, 2002).

Social capital is embedded in individuals' networks of relationships and has been linked to various aspects of entrepreneurship (Baron & Markman, 2003; De Carolis, Litzky, & Eddleston, 2009; DeCarolis & Saparito, 2006; Ozgen & Baron, 2007), including new venture progression (DeCarolis et al., 2009) and innovation (Nahapiet & Ghoshal, 1998). Interestingly, social capital, particularly the type built through sustainable business communities and entrepreneurship, also plays a role in poverty alleviation (Bruton, Ketchen Jr, & Ireland, 2013; Cumming & Uzuegbunam, 2013; Hussain, Bhuiyan, & Bakar, 2014; Kloppenburg, 2007; Marques, 2012; Singer, 2006). What follows, for us at any rate, is that the social capital generated through local sustainable business communities that enhances entrepreneurial activity, could by extension help to reduce poverty in those communities. The *Journal of Business Venturing*, a premier venue for entrepreneurship scholarship, devoted an entire issue to exploring entrepreneurship as a means to break the cycle of poverty (Bruton et al., 2013). The impetus for the special issue was the dearth of academic studies dedicated to poverty in the business literature over a 10-year period. Of the research that did exist, much focused on macro-level variables in emerging economies (Bruton et al., 2013). We argue that the increasing economic

disparity in the U.S. is paradoxical to the flourishing local economy movement in the U.S. The following statistics provide an example of this paradox.

Wealth and income inequality in the United States are well above the average of most developed countries. Recent research ranks the United States as ranking below 26 other high income nations on measures of median adult wealth and income per capita, and 34th out of 35th in terms of children living in poverty (Friedman & Hertz, 2015). The *Allianz Global Wealth Report* (2015) measured the Gini coefficient (based on net financial assets per population decile) for 55 countries. Gini index scores range between 0 indicating perfect equality and 1 indicating perfect inequality. The United States scored .81, the highest of the 55 developed nations, encouraging the authors of the report to dub the USA the 'Unequal States of America' ("Allianz Global Wealth Report," 2015; Sherman, 2015). The United States has more poverty than most other equally well-off countries, with blacks and Hispanics being at a greater risk of poverty in every state than whites ("State of the States: The Poverty and Inequality Report," 2015).

The Case of Philadelphia

The on-going experience with Philadelphia's Sustainable Business Network represents, we hope, an opportunity to view the efficacy of neo-localism initiatives in action. As of 2012, the most recent year data was available, Philadelphia's poverty rate of 13.2% ranked 72 out of 102 metropolitan areas, and yet the Gini coefficient - at .47 - ranked 15 out of 102, categorized as high. The Urban Institute recently ranked Philadelphia as the third most economically segregated city in America (Pendall, 2015). However, Philadelphia simultaneously achieved a top five ranking in *The American Express OPEN Index of Independent Retail Vitality*, 'proving that Philadelphians understand the value of local business in supporting the local economy and culture' (2011, p. 17). Additionally, the proliferation of sustainable business communities in the U.S. can be traced back to 1970's Philadelphia, when a young entrepreneur realized that small business had the potential to resuscitate Philadelphia neighborhoods plagued by blight and poverty and to create socially just economic development opportunities (Wicks, 2013). The Sustainable Business Network of Greater Philadelphia (SBN) and The Business Alliance for Local Living Economies (BALLE), the international network of sustainable business networks, are the outgrowths of that vision.

Philadephia's SBN has been cited as one of the most active in the country, with numerous initiatives that have helped propel Philadelphia towards its goal of becoming the 'Greenest City in America' (Moreno, 2014). One of their past initiatives, the Social Venture Institute, connected and trained over 2,000 businesses and entrepreneurs during its ten year run. The programming at SVI appealed to a diverse group of individuals interested in using the power of business to positively impact the community, the natural environment and society at large. The individual business owners represented at the SVI ranged from those whose ventures were in the conceptual stages to veteran entrepreneurs. Sessions revolved around opportunity recognition, funding initiatives, building a supplier network, building brand identity, and moving products/services to market. Outcomes of attending included an increase in social capital, general business knowledge, and learning specific tools relevant to triple bottom line practices (Litzky, Andersson, & Calvano 2013). Empirical evidence unveiled the emergence of three types of social capital: structural, relational and cognitive social capital. Structural capital grew via informal networking and building/solidifying small networks and infrequent contacts; relational capital emerged in the form of identity affirmation,

emotional support and inspiration; and shared meaning was constructed via thought leaders, awareness and sensemaking (Litzky, Andersson, & Calvano 2013).

RESEARCH FOCUS

It is encouraging to see that programs such as SVI, which focus on building social capital, in particular in urban communities, appear to yield positive results for participants. The durability of these results, however, remains an open question. For several reasons, business people may exaggerate and over-report positive associations following a major SVI initiative. As part of an ongoing effort to understand and assess the social capital accumulation process, we explored whether SVI participants have continued to recognize and remain involved in their social capital networks.

To address our research question, we undertook a qualitative research study using grounded theory methodology (Glaser & Strauss, 1967; Locke, 2001) The two primary concepts we are seeking to understand – neo-localism and sustainable urban livelihoods – and their potential linkages are under-theorized and under-explored, and thus grounded theory allowed us to enter the field and engage with entrepreneurs about these concepts without developed theoretical ideas about what we might uncover (Glaser, 1992).

This paper describes a framework for understanding how neo-localism, shared purpose, and social capital can provide the necessary conditions for enhanced urban livelihoods. In particular we are interested in our "community-based entrepreneurs" (Somerville & McElwee, 2011) are critical actors in the process of enacting a sense of place conducive to community engagement. We acknowledge that such endeavors can be highly dependent on contextual factors. Still, each case and each success represents a path forward.
One of the authors sits on the Board of Directors of Philly SBN, and two of our institutions are educational members of Philly SBN, so we were able to attend the annual SVI event several times and take an active part in the Good Economy 2020 strategic planning process. We were granted permission to (1) conduct original interviews with local entrepreneurs who were SVI attendees; (2) act as participant observers in the Good Economy 2020 strategic planning meeting, the Members' Town Hall meeting; and (3) access all of the original research documents (member surveys and interview transcripts) collected by Philly SBN researchers that informed the development of the Good Economy 2020 strategic plan. Thus, our primary data source for this study consisted of transcripts from our original interviews with entrepreneurs who attended the SVI, with supporting data sources being transcripts from our participant observation at the SBN members' strategic planning meeting as well as qualitative survey data and interview transcripts from the researchers who developed the Good Economy 2020 strategic plan.

We conducted semi-structured interviews of Philadelphia-area entrepreneurs who participated in three different years of the Social Venture Institute. The research population consisted of the 390 participants of the SVI during the years of 2010, 2011 and 2012, and using Excel's random number generator, we selected 120 participants (roughly a third of the participant population) to solicit, via telephone call, for a 30- to 60-minute interview. There were forty-one total interviews, for a response rate of 34% of sampled participants and 11% of the population of 390 participants. Of the 41 participants interviewed, all were Philly SBN members for at least two years, 13 were male, 11

identified as minorities, and 37 were the sole founders of their organization. We developed an interview protocol consisting of a series of open-ended questions. We conducted the interviews by telephone and recorded them, with participants' consent, using the website freeconferencecall.com. After each interview, we reviewed the recorded data and then sent it to a paid research assistant, who then transcribed the audio data verbatim into a Word document.

Our interview protocol began by asking participants to describe their business, their reason(s) for attendance at the SVI, their participation in Philly SBN, and what they perceive to be the impact of Philly SBN on the greater Philadelphia community. We prompted participants to think broadly about the organization and all of its initiatives, reminding them of SBN's initiatives if necessary. Finally, we asked participants to explain how their engagement with Philly SBN contributes to the organization's mission of building "a just, green, and thriving local economy in the Greater Philadelphia region." For each of the questions, we encouraged participants to elaborate and provide specific examples and anecdotes. We concluded the interview by asking participants to convey any other feedback they wanted to offer concerning their attendance at the SVI and participation in Philly SBN. The interviews ranged from 25-45 minutes in length. Additionally, we were able to participate in the Good Economy 2020 Members' Town Hall meeting in June 2015 and observe and record the discussions among the 93 Philly SBN members (entrepreneurs and small business owners who had been members at least two years) who were present.

Our data unveiled eight distinct engagement strategies utilized by SBN-member entrepreneurs that exemplify neo-localism, several of which could be considered more individually beneficial to each entrepreneur, and several of which could be construed as more beneficial to the collective network of entrepreneurs. The eight strategies, with definitions and sample quotes, are portrayed in Table 1.

We also asked our entrepreneur interviewees to explain what they perceive to be the impact of Philly SBN on the greater Philadelphia community. Moreover, we asked them to explain how their engagement with Philly SBN contributes to the organization's mission of building "a just, green, and thriving local economy in the Greater Philadelphia region." In addition, we had participant observation data from the Good Economy 2020 Members' Town Hall meeting and were privy to data collected by the Philly SBN research team in their buildup to the Good Economy 2020 strategic plan. What emerged from our analysis of these data is described below and summarized in Table 2.

Table 2 provides a definition of each of these five types of assets and captures some of the contributions of Philly SBN (as cited by member entrepreneurs) toward the accrual of these assets. In the methodology section, we provided detail about two Philly SBN events and initiatives, the annual Social Venture Institute (SVI) and the Good Economy 2020 strategic planning initiative. In addition, member entrepreneur quotes in the previous section have referenced a number of other SBN events, initiatives and policy campaigns, including: the Triple Bottom Line (TBL) educational series, the Green Economy Task Force (GETF), the Green Stormwater Infrastructure (GSI partners) initiative, the Buy Local Challenge, the Good Economy Challenge (GEC), the SBN Membership Directory, the Mayoral Candidates Forum, the Sustainable Business Tax Incentive Bill and the Sugar-Sweetened Beverage Tax campaign.

Table 1: Strategies of Neo-Localism Utilized by Networked Entrepreneurs

Strategy	Description	Sample Quote
Identity Affirmation	Connecting with a group of fellow entrepreneurs with shared interests and goals.	"SBN's mission is close to my professional mission and experience, and my profession is an extension of my personal values, and so for me SBN is part of my personal and professional development."
Education	Participating in educational initiatives offered by Philly SBN.	"The Triple Bottom Line educational series was instrumental in helping me to figure out how to define and measure my company's social goals."
Innovation Access	Gaining access to organizational and practice innovations.	"If it weren't for Philly SBN, I would not have taken the B Corp assessment and learned about how to become a B Corp."
Socioeconomic Understanding	Creating a sense of shared understanding of the socioeconomic issues pertinent to the region and being part of the solution.	"Philly is a city of neighborhoods, each with its own issues and needs. Being an SBN member has given me a better understanding of the diversity of our city and how economic solutions can't be one-size-fits-all."
Networking	Making connections with potential employees, suppliers, clients and business partners.	"I know that I can pick up the SBN Membership Directory, find a business or entrepreneur, and call them, any time, for any reason, and that they will be receptive."
Political Influence	Influencing elected officials on issues of sustainability and localism through the size and strength of Philly SBN.	"We (SBN) are a small but potent alternative to the Chamber of Commerce here in Philadelphia, and city officials are starting to listen."
Policy Making	Generating and supporting regional public policy initiatives.	"A handful of us (SBN members) worked with Philadelphia City Councilwoman Quinones-Sanchez to pass the "Sustainable Business Tax Incentive Bill."
Regional Allegiance	Participating in local/regional initiatives; representing the region in industry and national meetings and conferences.	"I was proud to represent SBN on the Good Economy Challenge team; it made me feel like an important part of the City and its future."

Note: Individually-Beneficial Neo-localism Strategies are noted in italics.

Table 2: Livelihood Assets Accrued through Entrepreneurs' Neo-Localism Strategies

Type of Asset	Definition	Sample Philly SBN Contributions
Financial	The capital base (cash, credit/debt, savings, and other economic assets) that is essential for the pursuit of any livelihood strategy.	GEC "Small Business Climate" initiative GEC "Procure Local" initiative Sustainable Business Tax Credit Bill SVI session "How to Raise Financial Capital" TBL educational curriculum
Human	The skills, knowledge, ability to labor, and good health and physical capability important for the successful pursuit of different livelihood strategies.	GETF "Green Careers Workshop for Women" GETF "Building a Green Economy: Green Collar Job Development Initiatives in the Delaware Valley" report
Natural	The natural resource stocks (soil, water, air, genetic resources, etc.) and environmental services (hydrological cycle, pollution sinks, etc.) from which resource flows and services useful for livelihoods are derived.	GEC "Green City, Clean Waters" initiative GSI Partners initiative: green roofs and walls, landscaping for bioretention, floodplain restoration, condensate and rain harvesting, passive irrigation, etc.
Physical	The basic infrastructure (shelter, transport, water, energy, communications) and the production equipment and means which enable people to pursue their livelihoods.	GEC "Solar Homes" initiative GETF "Energy Efficiency" roundtables GETF "Redeveloping Local Sustainable Manufacturing Infrastructure in Philadelphia" report GSI Partners initiative
Social	The social resources (networks, social claims, social relations, affiliations, associations) upon which people draw when pursuing different livelihood strategies requiring coordinated actions.	Buy Local Challenge Green Economy Task Force GETF SBN member networking events SBN joint initiatives with Net Impact, B Lab, BALLE, Business United for Conservation, Mayor's Office for Sustainability, Delaware Valley Green Building Council

CONCLUSION

Our data suggest that when viewed through the lens of neo-localism, the engagement of local entrepreneurs' help support livelihood strategies that in turn enhance social and other forms of capital assets in an urban region. These networked entrepreneurs engage in a variety of transformative strategies to influence their environmental context and to create livelihood assets.

These assets (including human, financial, natural, physical, and social capital) represent a more comprehensive picture of the 'wealth' created through sustainable business communities.

This project contributes to the entrepreneurship and society literature in three ways. First, the networked entrepreneurs in our sample demonstrated any of eight neo-localism strategies. Three strategies enhanced the entrepreneur's self-interest (as individuals); five strategies more broadly contributed to the network. These realms tend to be mutually-supportive, reflecting the notion that entrepreneurial behavior addresses both self and collective interests simultaneously rather than either alone. Our findings fulfill and extend calls for more inclusive measures of entrepreneurial success (Van de Ven, Sapienza, & Villanueva, 2007). Second, these enacted neo-localism strategies contribute to the accrual of five distinct forms of assets or capital. While a robust entrepreneurial sector certainly yields some measure of economic benefits, such a perspective may be incomplete. Sustainable livelihoods go beyond the traditional economic conception of 'wealth' accumulation to include (in addition to financial capital) healthy individuals and natural environments, socially just access to basic infrastructure and opportunities for living a good life (Blackburn & McGhee, 2007; Harris et al., 2011). Finally, the networked entrepreneurs we studied were very cognizant of their abilities to create positive social change. The enhancements in local livelihoods arose from purposeful intentions. The manner in which these intentions are coordinated, along with any possible interaction with the community's essential characteristics, represent potential for future investigations.

Our study has implications for the neo-localism and sustainable urban livelihoods literatures. Both literatures address societal problems that have resulted in part from diminishing social capital (Parnwell, 2007). The individual and community-oriented strategies used by our urban entrepreneurs suggest that high levels of reciprocity and trust (Davidsson & Honig, 2003) result when individuals participate and engage in local business networks. Further, the collectively beneficial strategies used by our networked entrepreneurs are similar to localism strategies used by leaders of social movement organizations (SMO) (Kurland & McCaffrey, 2014). One focus of SMO leaders is to enhance the entrance of new ventures as well as the competitiveness of existing firms (Kurland & McCaffrey, 2014). In a similar vein, our networked entrepreneurs demonstrated strong socioeconomic understanding, policy-making, and regional allegiance strategies. The neo-localism strategies enacted in our sample align with the transformative processes in the sustainable livelihoods framework. It is through these strategies, that our entrepreneurs have created and accrued the five forms of capital necessary for creating and sustaining urban livelihoods (Krantz, 2001).

We are optimistic that in time, the grass-roots efforts and seeming dedication to Aristotelian principles of virtue (Blackburn & McGhee, 2007) enacted by networked entrepreneurs in sustainable business communities, will serve to narrow if not eliminate the gap between rich and poor.

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Governance Issues

Minding the Gap(s): Unintended Consequences of Decoupling

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Abstract: This paper explores how policy-practice decoupling affects organizational insiders, synthesizing literatures on decoupling, organizational identity, behavioral integrity, and organizational cynicism to derive a theoretical model illustrating the effects of organization-level structural choices on individual perceptions and actions.

Keywords: Decoupling, Cynicism, Compliance, Legitimacy, Identity

INTRODUCTION

The external environment in which businesses operate increasingly demands accountability and transparency, not only pertaining to the organizations' central business processes, but also with respect to myriad social and environmental pressures that exist in the institutional environment, particularly for organizations operating in a global context. Sustainability, climate change, clean water, health care, hunger, racism, and the gender pay gap are just a few of the socioenvironmental governance issues (Wijen, 2014) which organizations may be pressured to address through formal policies and initiatives, as evidenced by the proliferation of international accountability standards and formal ethics/compliance programs.

Such competing and often contradictory demands to adopt policies, procedures and programs "with respect to issues such as equal opportunity, safety, diversity, justice, the environment…and consumer relations more generally" (Bromley & Powell, 2012:488) in order to maintain organizational legitimacy (Suchman, 1995) can be found at odds with the production-oriented, profit-maximizing goals and strategies of the organization (Meyer & Rowan, 1977). Neo-institutional theory tells us that in order to acquire and maintain legitimacy from external stakeholders and still operate efficiently, organizations often respond to competing and contradictory pressures by decoupling formal organizational policies from informal work processes, a process known as "policy-practice" decoupling (Bromely & Powell, 2012; Wijen, 2014). In other words, in order to satisfy institutional demands without impinging on managerial decision-making,

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organizations may engage in some structural sleight of hand: separating form from function and symbolically adopting polices that meet stakeholder expectations (and thus confer legitimacy), but not implementing those policies in such a way that day-to-day work is impacted. In this way, the work that gets done is not substantively affected by meeting formal policy requirements (Meyer & Rowan, 1977).

While recent theorizing suggests that policy-practice decoupling may wane as evaluation and benchmarking of organizational performance increases (Bromley & Powell, 2012: 485), empirical research indicates that policy-practice decoupling is effective in providing the external legitimacy necessary for organizational stability and continuity (Fiss & Zajac, 2004, 2006; Westphal, Gulati, & Shortell, 1997; Westphal & Zajac, 1994, 2001; Zajac & Westphal, 2004). While this organization-level outcome is quite established,

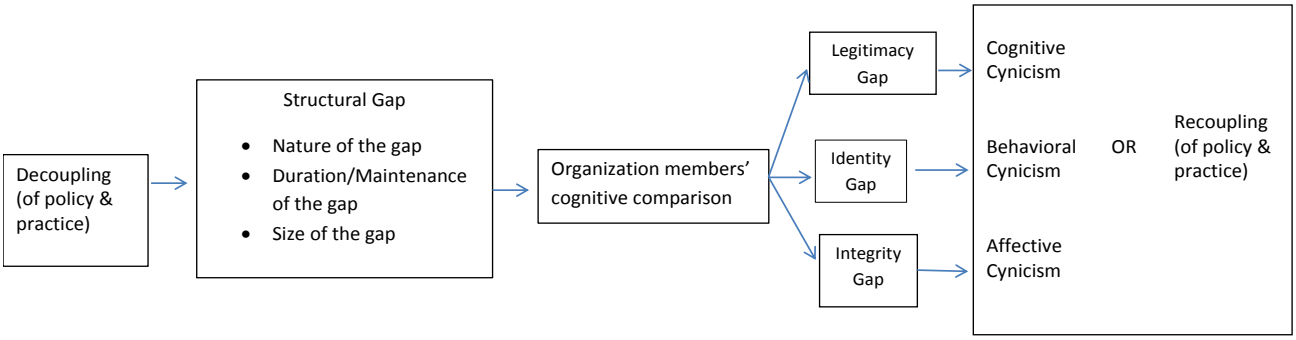
However, much of the policy-practice decoupling research examines the outcomes of decoupling at the organizational level of analysis. Recent scholarship argues that decoupling may have non-trivial consequences for organizational insiders, ranging from increased cynicism and misconduct (MacLean & Behnam, 2010; MacLean, Litzky, & Holderness 2014) to efforts to close the gap between adoption and implementation (Fiss & Zajac, 2006).

This paper explores how policy-practice decoupling affects organizational insiders, synthesizing literatures on decoupling, organizational identity, behavioral integrity, and organizational cynicism to derive a theoretical model (see below) illustrating the effects of organization-level structural choices on individual perceptions and actions.

STRUCTURAL AND PERCEPTUAL GAPS CAUSED BY POLICY-PRACTICE DECOUPLING

Policy-practice decoupling creates a structural gap between adoption and implementation: a policy is formally adopted and exists symbolically, but is not implemented – or at least not implemented in such a way that it substantively affects organizational behavior. The decoupled structure is disconnected from day-to-day operations. Formal adoption without implementation acts as window dressing, a symbolic gesture whose appearance satisfies stakeholder demands but allows for business-as-usual. For instance, symbolic adoption of a formal compliance program signals regulatory compliance to appropriate agencies, but can create a legitimacy façade that allows non-compliant behavior to persist and even proliferate (MacLean, 2001; MacLean & Behnam, 2010; Behnam & MacLean, 2011).

Figure 1



The structural gap created by policy-practice decoupling creates a second type of gap: a perceptual gap. Policy-practice decoupling is intended to manipulate the perceptions of institutional audiences, to create the appearance of adopting particular policies or practices without actually changing business practices. When policy-practice decoupling is successful, the structural gap is invisible to external audiences; only insiders are privy to and aware of decoupling (and probably not all insiders). Insiders experience a perceptual gap, seeing both the desired myth created by decoupling (and targeted to external audiences) as well as the organizational reality.

Dimensions of the Structural Gap

We theorize that both the *type* of policy, program, or process being decoupled from practice and the *maintenance work* necessary to preserve the gap influence how insiders perceive the gap as well as individual-level outcomes.

Type of Gap

What it the nature of the program, policy, or procedure being decoupled? Is it a structure that is near and dear to the organization's identity (Albert & Whetton, 1985)? Decoupling policy governing a stock repurchase program (Westphal & Zajac, 2001) in a publicly traded company is likely to have a different impact on organization members than a hospital that decouples patient safety standards from actual practice. VW's long-standing portrayal of itself as an environmental steward and purveyor of clean diesel fuel recently fell from grace as the world found out about its decoupled practice of using software that tricked emissions tests, allowing the cars to emit pollutants far above the legal limit.

Maintenance of the Gap

To what extent are human resources necessary to maintain the policy-practice gap? Does decoupling the structure in question require multiple individuals and groups to actively and routinely engage in behaviors that maintain the façade that convinces external constituents that the organization has actually implemented whatever structure it has formally adopted? When insiders invest time and energy maintaining the façade, organization members can develop negative legitimacy perceptions of the program or policy (Maclean & Behnam, 2010) that is responsible for garnering positive legitimacy perceptions from external stakeholders.

Another maintenance issue relates to temporality: how long has the gap existed? How long must it be maintained by insiders? Insiders may be unwilling to tolerate the cognitive inconsistences generated by policy-practice decoupling over the long-term. Dutton and Dukerich (1991) demonstrate that insiders are unwilling to tolerate prolonged discrepancies between form and substance and will act to re-align internal and external organizational perceptions. Fiss and Zajac suggest that organization members may be unwilling to live with the gap and suggest that "…a more subtle force toward reconciling external representation and internal workings may come from inside the firm" (2006: 1188). Similarly, Boxembaum and Jonsson (2008) argue that people refuse to be seen as "ceremonial props" over the long run.

Types of Perceptual Gaps

The organizational identity literature argues that the process of identification rests on a cognitive comparison mechanism whereby individuals compare perceptions of the organization's current identity, its ideal or expected identity, and the individual's own self-identity (Ashforth & Mael 1989; Reger et al., 1994). Alignment of these identities determines degree of identification of the individual with the organization. Foreman & Whetton argue that when the outcome of these cognitive comparisons is a "…perceived identity gap [that is] too great, congruence enhancing responses will be triggered" (2002: 619), designed to reduce dissonance.

We argue that a similar cognitive comparison is triggered by the dissonance that organization insiders experience when facing a policy-practice gap caused by structural decoupling. Based on the nature and maintenance work required by the structural gap, different perceptual gaps may be experienced, each with different outcomes.

Legitimacy Gap

Recent empirical research suggests that policy-practice decoupling triggers a cognitive comparison of legitimacy perceptions by organization members. Symbolic adoption of formal ethics/compliance initiatives that avoids substantive implementation creates a legitimacy façade (MacLean & Behnam, 2010) that allows an organization to continue conducting business as usual while indicating compliance to external constituents. The existence of a legitimacy façade can undermine insiders' legitimacy perceptions, leading to the institutionalization of compliance violations and misconduct.

Identity Gap

Research on organizational identity and identification asserts that organization members engage in a cognitive evaluation process whereby they compare their organization's identity to the image they envision outsiders holding – its "ideal identity" (Foreman & Whetton, 2002) or its construed external image (Dutton, Dukerich, & Harquail, 1994). When these images are closely aligned, individual member identification with their organization tends to be strong. The identity gap can be widened when organization insiders are forced to consider the organization's identity in comparison to how external audiences view it, which may happen when perceptions of outsiders are provided through sources such as benchmarking and customer feedback (Reger et al., 1994).

Structurally decoupling organizational policies, programs, and/or procedures that are at the heart of what is central, distinct and enduring about an organization can create a significant rift between who the organization claims to be (to both internal and external audiences) and who it really is in the eyes of organization members. For example, Saks Fifth Avenue, a company recognized for its diversity practices through the Human Rights Campaign's Corporate Equality Index, was sued for discrimination against transgendered employees. The suit, which charged that a transgendered employee had been fired for failing to wear men's clothing and use the men's restroom (http://www.diversityinc.com/news/saks-fifth-avenues-hypocrisy-gay-friendly-company-claims-transgender-people-dont-civil-rights). Saks eventually settled the case for an undisclosed amount (http://fortune.com/2015/03/05/saks-transgender-discrimination-suit/). This type of decoupling runs the risk of creating a significant identity gap and undermining the organizational identification of its employees.

Integrity Gap

When policy-practice decoupling creates the perception for insiders that there is a mismatch between top management's words and deeds, an integrity gap is created. Behavioral integrity is defined as "the perceived pattern of alignment between an actor's words and deeds" (Simons, 2002: 19) and is theorized to be an antecedent to employee trust. When leaders are perceived as saying one thing while doing another, leaders are perceived as lacking behavioral integrity; thus, when leaders make statements and claims indicating formal adoption of an organizational policy that subsequently is not implemented, an integrity gap ensues.

OUTCOMES OF PERCEPTUAL GAPS

These gaps – in perceived legitimacy, identity and integrity - created by policy-practice decoupling can arguably lead to employee attitudes and behaviors that represent means of congruence-seeking, whether through internal justification or concerted efforts to "recouple" (Dutton & Dukerich, 1991; Fiss & Zajac, 2006) policies and practices. Attitudes and behaviors deemed negative by employers, but which can be helpful and positive for employees, are often associated with congruence-seeking (Fleming & Spicer, 2003). In particular, we suggest that such gaps can be associated with increased employee cynicism, an attitude characterized by frustration and disillusionment, as well as contempt toward and distrust of a person, group, ideology, social convention or institution (Andersson, 1996). As an attitude directed toward an organization, cynicism has cognitive, affective and behavioral components: a belief that the organization lacks integrity; negative affect toward the organization; and tendencies toward critical and disparaging behaviors toward the organization (Dean, Brandes, & Dharwadkar, 1998). We posit that each of the three perceptual gaps may be associated with one of the components of employee cynicism, explained below.

Legitimacy Gap and Cognitive Cynicism

When employees are faced with a situation that calls into question the legitimacy of an espoused policy, they experience perceptions of contract violation and injustice, both of which have been associated with employee cynicism (Andersson, 1996; Andersson & Bateman, 1997; Johnson & O'Leary-Kelly, 2003). Indeed, when organizational practices lack such principles as fairness, honesty, and sincerity - and these principles are sacrificed to expediency - cognitive cynicism, in

particular, is likely to occur (Dean et al., 1998). To offer an example, employee belief that management is untrustworthy, in part because their set policies do not match their practices, has been associated with the cognitive component of cynicism (Kim, Bateman, Gilbreath, & Andersson, 2009). Thus, we propose that employee perception of a legitimacy façade will be associated with the cognitive component of cynicism.

Identity Gap and Behavioral Cynicism

When there is a discrepancy or misalignment between current and ideal identity or between identity and construed external image, this identity gap triggers "congruence-enhancing responses…[which may] include reassessing one's core beliefs, pressuring the organization to make changes in their core practices, or reevaluating one's relationship with the organization." (Foreman & Whetton, 2002: 619). Particular behavioral tendencies have been identified as components of cynicism (Dean et al., 1998), such as those that express dis-identification and distancing from, and light forms of resistance against, the organization (e.g., Contu, 2008; Fleming & Spicer, 2003; Richards & Kosmala, 2013). Sarcastic humor, criticism, and small acts of resistance (Dean et al., 1998) can express employee cynicism toward the discrepancies they witness, allowing them to dis-identify with the organization while still ultimately acquiescing to its hierarchy and structure (Contu, 2008). Behavioral cynicism can offer employees a sense of freedom from feeling duped that allows them to cope with circumstances perceived to be out of their control (Fleming & Spicer, 2003). Therefore, we propose that employee perception of an identity gap will be associated with the behavioral component of cynicism.

Integrity Gap and Affective Cynicism

The experience of cynicism can include strong emotional reactions (Contu, 2008; Dean et al., 1998). When employees perceive a mismatch between the words and deeds of management, as when they perceive an integrity gap, they may experience negative emotions such as frustration and anger that comprise the affective component of cynicism. In support of this relationship, a witnessed gap between what management espouses and what it initiatives it actually undertakes was strongly associated with the affective component of cynicism (Kim et al., 2009). Likewise, employees assessing their firms' values statements had reactions of affective cynicism when the behavior of their leaders neglected to reflect their firms' espoused values (Urbany, 2005). On the other hand, employees' perception of their employers as good corporate citizens was negatively related to affective cynicism (Evans, Goodman, & Davis, 2011). It follows, then, that employee perception of an integrity gap will be associated with the affective component of cynicism.

CONCLUSION

In closing, in our full paper we intend to elaborate further on how policy-practice decoupling affects organizational insiders, building upon the predicted relationships shown in our model and described above. In addition, we will explain how the relationships depicted in the model hold implications for scholars and managers alike.

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Corporate Social Responsibility and Performance **Fits Conference Theme**

CSR Strategy at a Crossroads: An example of a Multinational Corporation in a Developing and Developed Society

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Abstract: The relationship between Corporate Social Responsibility (CSR) and society is at a crossroads. In particular, multinational enterprises (MNEs) must operate in multiple host environments while maintaining a social license to operate, and increasingly adopt CSR strategy relevant to stakeholders in these environments. This study examines MNE employee perceptions of CSR from one multinational in Indonesia and Australia, and determines their identification with and engagement in the organization's CSR Social Initiatives (SIs). The results reveal perceived CSR has a significant effect on identification with SIs for Indonesian employees but not for Australian employees. Second, the importance of CSR has an effect on employee's identification with SIs (SI-I) and SI-I has a significant effect on engagement with SIs in both countries. This suggests that MNEs need to educate employees generally in developed and developing countries on the importance that companies practice CSR. However for developing countries like Indonesia, managers may need to focus more on employee perceptions of the organization's perceived CSR, as this affects SI-I and subsequent engagement. These findings provide a unique contribution toward combining business and society under the umbrella of one MNE in two different countries.

Keywords: CSR activities, Social Initiatives, Identification, Engagement, Multinationals, MNEs/MNCs, Developing and Developed Countries.

INTRODUCTION & LITERATURE REVIEW

A critical issue faced by multinational enterprises (MNEs) is the establishment and maintenance of legitimacy in multiple host environments (Kostova and Zaheer, 1999). As part of this country and cultural adaption (Shah and Arjoon, 2015), MNEs increasingly select CSR activities and Social Initiatives (SIs), relevant to the environments they occupy.

A review of the academic literature in this area however reveals a framework is yet to be offered that integrates the development and implementation of CSR into the organization's strategy, structure and culture (Bhattacharya and Sen, 2004; Smith, 2003; Glavas and Godwin, 2013), while accommodating the expansion of the MNE's global footprint in developing societies (Visser, 2015). This is of increasing importance as many stakeholders have become cognizant of the ability of MNEs to either positively or negatively impact the community they reside (Sarker and Munro, 2015). As 'employees' as stakeholder, are the main implementers of CSR strategy

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(Aguinis and Glavas, 2012; Munro, 2013a), the current study examines MNE employee perceptions in different country contexts. Past CSR research has shown that CSR leads to significant employee-related outcomes such as increased identification, satisfaction, commitment, retention and advocacy, as well as reduced absenteeism (Korschun, Bhattacharya and Swain, 2014; Porter and Kramer, 2002). This in turn leads to stronger 'identification' with their organization (Korschun, Bhattacharya and Swain, 2014, Peterson, 2004; Kim et al, 2010).

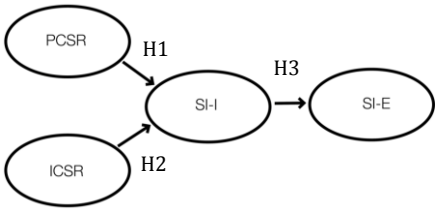
An underlying premise of this paper is Social Identity Theory, based on the knowledge that an individual "belongs to certain social groups" and experiences "emotional and value significance" relative to this group membership (Tajfel, 1978), and that identity salience leads to behaviors consistent with that identity and the appropriate norms (Tajfel & Turner, 1986). Hence, if an employee is proud of being a member of a socially responsible organization, his or her work attitudes are also influenced positively (Ashforth and Mael, 1989; Brammer et al., 2007; Maignan and Ferrell, 2001; Peterson, 2004; Turker, 2009b). Under this framework it could also be assumed that employees will identify with their organization's extra curricular work activities (or in this case SIs), and as a result, may become more engaged in them. This has not yet been studied in the literature.

Much of the CSR research has also been conducted in a Western context with limited research comparing national systems of developing countries (Chapple and Moon, 2005; Frynas, 2006; Kemp, 2001; Arli and Lasmono, 2010). In particular, there has been limited research examining CSR in Indonesia (Gunawan, 2013). Indonesia is identified as having 'Asian characteristics' (Mallin, 2004) i.e. weak institutions and poor property rights. The impact of military and authoritarian rule, has created opportunities for cronyism and corruption, poverty and human rights violations (CIA World Factbook, 2015). Indonesia is also majority Muslim (CIA World Factbook, 2015), where Islamic teachings prevail with the tradition of local 'gifting' (Zakat), and the expectation to feel socially responsible for others in the community (Rizk, 2008, p209). Indonesia is also majority Javanese (CIA World Factbook, 2015), a culture with a complex mixture of ideas, norms, regulations and values (Koentrjaraningrat, 1985). These values give a strong sense of identity (Irwanto et al, 2011). The current study therefore fill gaps in the literature by also examining the East West divide (Wei, Egri and Lin, 2014; Markus and Kitayama, 1991) and considers religion within a SIT setting (Ramasamy, Yeung, Au 2010; Arli and Tjiptono, 2014; Park, Lee and Kim, 2014; Crane, Matten, McWilliams, Moon and Siegel, 2008).

By investigating the antecedents of CSR and exploring the subsequent impact on employee SIs or Social Initiatives (Munro 2013b) and employee Identification and Engagement in SIs within two developing and developed societies, this research fills a gap in the literature, which currently lacks examination of CSR strategy at a micro level (Aguinis and Glavas, 2012), and within a developing country context. This study will assist practitioners and MNEs to select CSR micro-initiatives relevant to their local host environment, and outline to teachers the importance of training students in this relationship with society. The overall aim of this paper therefore is to align the business environment with the social environment in host countries where MNEs reside, by identifying employee perceptions in these locations, and their identification and engagement in local SIs.

HYPOTHESIS DEVELOPMENT

Figure 1: Theoretical Model



Hypothesis 1 (H1): Perceived CSR (PCSR) is positively related to Social Initiatives Identification (SI-I) for the developed country (a) *Australia* and negatively related to Social Initiatives Identification (SI-I) for the developing country (b) *Indonesia*
Hypothesis 2 (H2): Perceived Importance of CSR (ICSR) is positively related to SI Identification (SI-I) for the developed country (a) *Australia* and negatively related to Social Initiatives Identification (SI-I) for the developing country (b) *Indonesia*
Hypothesis 3 (H3): SI Identification (SI-I) is positively related to SI Engagement (SI-E) for the developed country (a) *Australia* and negatively related to Social Initiatives Identification (SI-I) for the developing country (b) *Indonesia.*

Past research has shown a direct effect between employee perceptions of their organization's CSR (PCSR) and employee identification with their organization, and between the perceived importance of CSR (ICSR) and employee organizational commitment (i.e. Lichtenstein, Drumwright and Braig, 2004; Anaza and Rutherford, 2012; Park and Levy, 2014; Brammer, Millington and Rayton, 2007; Kim, Lee, Lee, Kim, 2010; Farooq, Payaud and Valetter-Floremnce, 2013; Korschun, Bhattacharya and Swain; 2014). However, PCSR and ICSR has not been examined in relation to an employee's identification with the micro social and community activities (SIs) of their organization's CSR strategy and their engagement in them. Also missing from the literature is a theoretical and empirical framework for understanding how an organization's CSR efforts impact on employees (Glavas and Godwin, 2013). Hence, this paper fills an important gap in the MNE research and provides a unique contribution to current CSR literature.

METHODOLOGY

'Country' selection was based on stage of development in the Asian region, with Australia as a Western comparison:
1. Indonesia: *Developing country status*
2. Australia: *Developed country status*
(Source: World Bank, 2015).

This paper focuses on employees from the Indonesian and Australian offices of a major MNE Law firm, head quartered in the U.S. N=294 employees completed questionnaires, with N=139 from their Indonesian office and N = 155 from their Australian office.

An online questionnaire was administered via LimeSurvey software (1.9+), using 7-point Likert scales, ranging from 1 "strongly disagree" to 7 "strongly agree." The questionnaire

was back translated into Bahasa Indonesian several times by bilingual professional and accredited translators. The validity and reliability of the questionnaire were adhered to by utilizing previously validated scales. The scales for PCSR (Lichenstein et al 2004), ICSR (Korschun et al, 2014). The Organizational Identification scale (Anaza and Rutherford, 2012) was modified to fit Identification of SI activities (SI-I). The engagement in SI tasks/activities (SI-E) was adapted from the work-place engagement scale (Anaza and Rutherford; 2013). *(Insert table 1 here).*

RESULTS

The results of demographic analysis are discussed first, followed by a discussion of the Structural Equation Modeling Analysis.

For Indonesian respondents, 100% have an Indonesian passport and 99.3% list Indonesia as their birthplace. In contrast, 89.7% of Australian respondents have an Australian passport (4.5% and 3.9% have a UK and New Zealand passport respectively), and 73.5% state they were born in Australia (10.3% UK, 2.6% New Zealand and 1.9% Africa and 1.3% Hong Kong). Hence the majority of the sample are citizens of their respective countries, or were born in the country they currently reside and work in.

The overall sample has a higher percentage of women than men and the larger age group for both countries is 30 to 39 years, with no significant differences for both age and gender. Despite the high levels of Administrative roles, the majority is tertiary educated. Average time with the company is similar across both countries, with the majority of employees being with the firm for 2 to < than 10 years. Over half the sample practice Islam for Indonesia, in contrast, over half the sample (28.2% and 22.1%) practicing Christianity or Catholicism for the Australian sample. As expected religion is very important for the Indonesian sample (53.2%) as opposed to just 20.6% for the Australian sample, revealing significant differences between samples for religious related variables. *(Insert table 2 here)*

Structural Equation Modeling (SEM) using Amos 22.0 is the chosen method of analysis. To verify discriminant and convergent validity of variables, confirmatory factor analyses (CFA) were conducted, according to Babin, Hair and Boles (2008).
(Insert table 3 here).

Convergent validity shows composite reliabilities (CR) for each construct exceeding the 0.70 threshold, and the average variance extracted (AVE) exceeding 0.50 (Hair, Black, Babin and Anderson, 2010). According to Fornell and Lacker (1981), for a construct to demonstrate discriminant validity, the AVE estimates should be larger than the squared interconstruct correlation estimates. All constructs passed this requirement, confirming discriminant validity. *(Insert table 4 here).*

Goodness-of-fit indices revealed that the values were significant, with the Q value (χ^2/df) < 2.0, the SRMR at 0.07, the CFI and TLI > 0.95, the RMSEA < 0.05, the GFI at 0.90. *($\chi^2 = 237.454$, $df = 146$ ($\chi^2/df = 1.626$), $p = 0.00$, CFI = 0.97, TLI=0.96, RMR = 0.01, RMSEA = 0.046, SRMR = 0.07, GFI = 0.90)*

As shown in table 5, the direct effects for all variables were significant at $p < 0.05$, except for PCSR for Australia ($p = 0.07$). *(Insert table 5 here)*

DISCUSSION AND MANAGERIAL IMPLICATIONS

The key finding of this study is that PCSR has a significant effect on SI-I for Indonesian employees but does not for Australian employees. Hence, for Indonesian employees the company's overall Perceived CSR (PCSR) is important for them, to identify with SI activities and engage in them (SI-E). A second contribution to the literature is the finding that ICSR (the importance of CSR) has a direct effect on employee's identifying with SIs and engagement in them. At a management and practitioner level, this finding suggests that MNEs need to educate employees on the importance that companies practice CSR, as this has a bearing on identification with SIs and employee engagement in them, regardless of country. A third contribution to the literature is the confirmation that SI identification for both employee groups has a direct effect on engagement in SIs, irrespective of which country. At a management and practitioner level, the findings suggest that MNEs, irrespective of which country they are in, must make sure their employees identify with their SIs if they wish them to be engaged in them, and experience successful implementation of CSR strategy in respective host countries. This suggests MNEs should emphasize different aspects of their CSR strategy in different countries. MNEs, in Indonesia for example, should focus on promoting their overall CSR to employees' more than individual SI activities, in order to enhance identification with SIs.

The particular differences between countries identified, may relate to historical evolution of CSR, in respective countries, alongside economic development (Lee and Lee, 2015; Chapple and Moon, 2005; Crane et al 2008). As previously mentioned, Indonesia has endured numerous CSR problems related to a weak legal system and corrupt government, leading to distrust in Institutions. Indonesian employees may need extra reassurance of their organization's overall PCSR (that they are 'good' citizens), before engaging in its CSR strategy. Thus, organizations in Indonesia may need to promote their overall CSR company mission plus their individual SIs to get their employees to engage in CSR strategy. With 28.6 million living below the poverty line (World Bank, 2015), it is likely that Indonesians will identify with initiatives related to this 'group' and wish to help them.

Within a SIT framework, Indonesia's history of Javanese values and Islamic principles, also lean toward the needs of this dominant group. Hence, this study suggests that when MNEs establish themselves in foreign lands, they must adapt SI-activities accordingly, to be successful in engaging employees within different host environments. As key implementers of CSR, employees stand at the crossroads between business and society, assisting in making CSR strategy not only legitimate but also worthwhile.

At a management and practitioner level, this finding suggests that MNEs need to educate employees on the importance that companies generally practice CSR (ICSR), as this has a bearing on identification with SIs and employee engagement in both a developing and developed country. However, managers may need to focus on employee perceptions of their own CSR (PCSR) and overall CSR strategy in developing countries such as Indonesia. Overall, these findings therefore suggest MNEs should emphasize different aspects of their CSR strategy in different countries, in order to enhance identification with SIs in the various offices where they reside. This paper therefore provides a unique contribution toward "doing good" and doing business in two different societies under the umbrella of one U.S. MNE.

LIMITATIONS AND FUTURE RESEARCH

A limitation of this study is that only one sector and one Law firm of an MNE are examined. Future research should examine employee perspectives across additional countries and sectors to ascertain if this result is sector specific or country specific. Future research should also examine additional precursors of CSR in this model, such as organizational commitment, alongside the value systems of the individual employee, and their preference for particular SIs in different developing and developed country settings.

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APPENDIX

Table 1: Questions and Codes

PCSR	
Q1_COMMU	My organization gives back to the communities in which it does business
Q1_NPOS	Local nonprofits benefit from my organization's contributions
Q1_CONTR	My organization integrates charitable contributions into its business activities
Q1_CGIVE	My organization is involved in corporate giving
Q1_PORTN	My organization is committed to using a portion of its profits to help nonprofits
ICSR	
Q3_ICOMS	It's important to me that organizations help out the communities where they operate
Q3_CARES	I'm the type of person that cares deeply about organizations being socially responsible
Q3_PLACE	I feel that organizations need to make the world a better place
SI-I	
Q12_COMPL	When someone praises our 'social and community' activities it feels like a personal compliment
Q12_ATACH	I feel attached to our 'social and community' activities
Q12_IDENT	I identify with our 'social and community' activities
Q12_FEELS	It feels good to be of service to our 'social and community' activities
Q12_rCRITI	When someone criticizes our 'social and community activities', I take it personally
SI-E	
Q13_INVOL	I really get involved in our 'social and community' activities
Q13_TRACK	Sometimes I am so into our 'social and community' activities, I lose track of time
Q13_ENGAG	I am highly engaged in our 'social and community' activities

Variable codes: Perceived CSR (PCSR), Importance of CSR (ICSR), SI - Identification (SI-I), SI-Engagement (SI-E).

Table 2: Demographic statistics of respondents for Indonesia and Australia

Variable	Total		Australia		Indonesia	
Gender	**Frequency**	**Valid %**	**Frequency**	**Valid %**	**Frequency**	**Valid %**
Female	195	66.3%	109	70.3%	86	61.9%
Male	99	33.7%	46	29.7%	53	38.1%
Total	N=294	100%	N=155	100%	N=139	100%
Age	**Frequency**	**Valid %**	**Frequency**	**Valid %**	**Frequency**	**Valid %**
Under 21	0	0.0	0	0.0	0	0.0
21 to 29	114	38.8%	49	31.6%	65	46.8
30 to 39	103	35.0%	61	39.4%	42	30.2
40 to 49	47	16.0	27	17.4	20	14.4
50 to 59	25	8.5	15	9.7	10	7.2
60+	5	1.7	3	1.9	2	1.4
Total	N=294	100%	N=155	100%	N=139	100%
Education**	**Frequency**	**Valid**	**Frequency**	**Valid**	**Frequency**	**Valid %**
Secondary School (or	25	8.5	19	12.3%	6	4.3
Tertiary	197	67.0%	83	53.5%	114	82.0
Post-graduate degree	70	23.8%	51	32.9%	19	13.7
Doctorate	1	0.3	1	0.6	0	0.0
Other	1	0.3	1	0.6	0	0.0
Total	N=294	100%	N=155	100%	N=139	100%
Job Type**	**Frequency**	**Valid**	**Frequency**	**Valid**	**Frequency**	**Valid %**
President/Partners	9	3.1	6	3.9	3	2.2
Senior Managers	39	13.3%	31	20.0%	8	5.8
Mid-Level Managers	59	20.1%	32	20.6%	27	19.4
Practitioners/Advisers	33	11.2%	17	11.0%	16	11.5
Junior Managers	29	9.9	18	11.6%	11	7.9
Trainees/Interns	13	4.4	8	5.2	5	3.6
Administration	110	37.4%	43	27.7%	67	48.2
Other	2	0.7	0	0.0	2	1.4
Total	N=294	100%	N=155	100%	N=139	100%
Job Tenure	**Frequency**	**Valid**	**Frequency**	**Valid**	**Frequency**	**Valid %**
< six months	24	8.2	11	7.1	13	9.4

Six months to < one	23	7.8	10	6.5	13	9.4
One year to < two years	35	11.9%	19	12.3%	16	11.5
Two years to < five	84	28.6%	43	27.7%	41	29.5
Five years to < 10 years	65	22.1%	37	23.9%	28	20.1
Ten years to < 20 years	39	13.3%	24	15.5%	15	10.8
20 years +	24	8.2	11	7.1	13	9.4
Total	N=294	100%	N=155	100%	N=139	100%
Religion* **	**Frequency**	**Valid**	**Frequency**	**Valid**	**Frequency**	**Valid %**
Other	10	3.4	10	6.5	0	0.0
Buddhism	8	2.7	3	1.9	5	3.6
Catholicism	51	17.3%	33	21.3%	18	12.9
Christianity	87	29.6%	44	28.4%	43	30.9
Confucianism	0	0.0	0	0.0	0	0.0
Hinduism	2	0.7	2	1.3	0	0.0
Islam	74	25.2%	1	0.6	73	52.5
Judaism	2	0.7	2	1.3	0	0.0
No Religion	57	19.4%	57	36.8%	0	0.0
No answer	3	1.0	3	1.9	0	0.0
Total	N=294	100%	N=155	100%	N=139	100%
Religious	**Frequency**	**Valid**	**Frequency**	**Valid**	**Frequency**	**Valid %**
Not important	53	18.0%	42	27.1%	11	7.9
A little important	29	9.9	22	14.2%	7	5.0
Somewhat important	61	20.7%	39	25.2%	22	15.8
Very important	106	36.1%	32	20.6%	74	53.2
Crucially important	32	10.9%	14	9.0	18	12.9
No answer	13	4.4	6	3.9	7	5.0
Total	N=294	100%	N=155	100%	N=139	100%

*** Sig at the p<0.001 level ** Sig at the p<0.01 level * Sig at the p < 0.05 level*

Table 3: Results of Confirmatory Factor Analysis – Indonesia VS Australia

	Indonesia				**Australia**			
	SL	**REL**	**AVE**	**CR**	**SL**	**REL**	**AVE**	**CR**
PCSR								
Q1_CONTR	0.92	0.85			0.76	0.58		
Q1_CGIVE	0.90	0.81			0.89	0.79		
Q1_PORTN	0.90	0.81	**0.82**	**0.93**	0.66	0.44	**0.60**	**0.82**
ICSR								

Q3_ICOMS	0.75	0.56			0.74	0.55		
Q3_CARES	0.76	0.58			0.94	0.88		
Q3_PLACE	0.74	0.55	**0.56**	**0.79**	0.83	0.69	**0.71**	**0.88**
SI-I								
Q12_COMPL	0.47	0.22			0.73	0.53		
Q12_ATACH	0.91	0.83			0.93	0.88		
Q12_IDENT	0.84	0.71			0.91	0.83		
Q12_FEELS	0.62	0.38	**0.53**	**0.81**	0.80	0.64	**0.72**	**0.91**
SI-E								
Q13_INVOL	0.90	0.81			0.85	0.72		
Q13_TRACK	0.69	0.48			0.65	0.42		
Q13_ENGAG	0.89	0.79	**0.69**	**0.87**	0.94	0.88	**0.68**	**0.86**

SL = Factor loading, REL = Cronbach's alpha, AVE = Average Variance Extracted, CR = Critical Ratios/Composite Reliability. *(The SL for SI-I Qu 12_ r CRITI was below 0.60 for the Indonesian sample –so was removed from the analysis and SEM model. Q1_COMMU and Q1 NPO were also removed as they were below 0.60 for Australia).* Variable codes: Perceived CSR (PCSR), Importance of CSR (ICSR), SI - Identification (SI-I), SI Engagement (SI-E).

Table 4: Inter-construct Correlation and Direct Path Estimates for Indonesia and Australia

	Indonesia				**Australia**			
Construct	**PCSR**	**ICSR**	**SI-I**	**SI-E**	**PCSR**	**ICSR**	**SI-I**	**SI-**
1. PCSR	**0.82**	0.023	0.279	0.136	**0.60**	0.092	0.104	0.059
2. ICSR	0.150**	**0.56**	0.116	0.057	0.304**	**0.71**	0.398	0.225
3. SI-I	0.528**	0.340**	**0.53**	0.487	0.322*	0.631*	**0.72**	0.564
4. SI-E	0.369**	0.238**	0.698**	**0.69**	0.242*	0.474*	0.751*	**0.68**

*** Pearsons Correlation is significant at the 0.01 level (2-tailed)*

Table 5: SEM Results for the Theoretical Model – Indonesia (IND) and Australia (AUST)

Path	**Standardised estimate**		**CR**		***p***	
	IND	AUST	IND	AUST	IND	AUST
PCSR→ SI-I	0.06	0.07	4.23	1.82	***	0.07 (NS)
ICSR → SI-I	0.09	0.09	2.67	6.43	0.008**	***
SI → SI-E	0.26	0.12	4.98	8.07	***	***

NB: Perceived CSR (PCSR) → Social Initiatives Identification (SI-I), Importance Of CSR (ICSR) → Social Initiatives Identification (SI-I), SI-Identification (SI-I) → Social Initiatives Engagement (SI-E)

** $p < 0.05$ *** $p < 0.001$

Corporate Social Responsibility and Performance

May Corporate Social Responsibility Have a Bearing Upon the Shifting Boundaries of the Firm?

Maria J. Murcia[1]

Abstract: Whereas 'strategic' Corporate Social Responsibility (henceforth, CSR) scholars (e.g.: Husted & Allen, 2006, 2007; McWilliams, Siegel, & Wright, 2006; McWilliams & Siegel, 2000) have studied CSR as a competitiveness and/or differentiation tool (Panwar, Nybakk, Hansen, & Pinkse, 2016) -this is, a competitive strategy's outcome-, CSR has remained 'out of the loop' of the broader corporate strategy choice discussion and, in specific, unexplored as an antecedent of firm's scope. Granted that firms formulate different governance strategies to effectively implement corporate objectives (Harrigan, 1985), my ongoing investigation focuses on how CSR may come to play into decisions pertaining to vertical scope, that is, how firms organize internal or external supplier-buyer relationships along their value chains (Jacobides & Billinger, 2006). The need for this research stems from the fact that in a context of global dispersion of production, normative pressure concerning the need for environmental protection and growing demands to redress social concerns compel firms to reconsider their vertical relationships.

INTRODUCTION

Outsourcing is a key element for many firms to succeed in today's globalized economy as it can help firms reap many advantages (Alcacer & Oxley, 2014; Short, Toffel, & Hugill, 2015). Firms frequently outsource inputs and services that they previously used to produce in-house. The evolving organizational economics paradigm has provided multiple explanations on the shifting boundaries of the firm (Mahoney & Qian, 2013); yet, in essence, they share the common assumption that firms respond to wide-ranging complexity by aligning structures, activities and their task environments so that they can be effective and survive (Lawrence & Lorsch, 1967; Miller, 1996; Zenger, Felin, & Bigelow, 2011). In this spirit, it has been recently argued that theories of the firm boundary "are not unlike other contingency theories in their fundamental focus on fit" (Zenger et al., 2011: 91).

Concurrently, the onset of CSR, defined here as firms' activities aimed at taking responsibility for social and environmental impacts of their business (Dahlsrud, 2008; Vogel, 2007), represents a distinct increase in the task-environment's complexity that nearly every firm has to deal with as they seek to address a broader set of stakeholders beyond shareholders (Aguinis & Glavas, 2012; Schneider, Wickert, & Marti, 2016). While debate remains open on different rationales - ethical, political, instrumental (Garriga & Melé, 2004)-, the uptake of CSR would manifest that firms far from being detached of the forces beyond their boundaries, they move within a repertoire of legitimate options (Hoffman, 1999). Assuming away a decoupled approach (Weaver, Trevino, & Cochran, 1999), fundamental strategy theories – chiefly contingency theor (Donaldson, 2001)- predict the alignment between CSR and internal structural and process variables towards overall

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organizational effectiveness (i.e.: fit). Strikingly though, an explicit understanding of whether CSR has a bearing upon the boundary of the firm has not been pursued.

THEORETICAL BACKGROUND

The concept of vertical integration captures the myriad of firms' choices on where to participate in the supply chain and how to interface with internal and external suppliers and buyers at each stage of the value-added process (Jacobides & Billinger, 2006). This way, configurations of 'make-buy-or-ally' decisions cumulate defining the vertical boundary or scope of the firm.

Different core theoretical perspectives have offered explanations of firms' boundaries, including transaction cost economics (TCE) (Williamson, 1975, 1985), agency theory (Fama, 1980; Jensen & Meckling, 1976), property rights (Alchian & Coase, 1977; Carson & John, 2013; Novak & Eppinger, 2001), the resource based view (RBV)[2] (Argyres, 1996; Balakrishnan & Wernerfelt, 1986; Kogut & Zander, 1992; Rumelt, 1974) and real options theory (Folta, 1998; Leiblein & Miller, 2003; Scherpereel, 2008). Among these, TCE first (See Carter & Hodgson, 2006; David & Han, 2004; Geyskens et al., 2006 for literature surveys) and then RBV (See Espino-Rodríguez & Padrón-Robaina, 2006 for a review) have been the prominent analytical lenses. Recent applications of real options theory, agency theory and property rights to vertical boundaries, notwithstanding, appear most frequently in combination with either TCE or RBV[3] arguments (Grant, 2006).

According to this inherited wisdom, the degree of openness or integration of the overall structure of a firm's value chain is the outcome of management's pursuit to work around some sort of market friction (Mahoney & Qian, 2013). Minimizing *ex ante* and/or *ex post* transaction costs (See Jacobides & Hitt, 2005) is the cornerstone of the TCE logic on vertical integration. Alternatively, constrains to value capture in terms of time, flexibility[4] and/or innovativeness - heavily emphasized by the RBV- calls for market or hybrid governance through alliances when tapping into suppliers' superior capabilities or knowledge (e.g.: Argyres & Bigelow, 2010; Brahm & Tarziján, 2014; Kapoor & Adner, 2012; Macher, 2006; Weigelt & Sarkar, 2012) -.

Truly, economic advantages of global outsourcing have been deemed to be significant, making these practices widespread (Alcacer & Oxley, 2014; Baldwin & Clark, 2003). Over time, however, environmental and social performance -collapsed in the CSR concept - have become increasingly important to the point of granting companies 'license-to-operate' (Garriga & Melé, 2004; Howard-Grenville, Nash, & Coglianese, 2008). Indeed, most recent empirical evidence on firms' performance

[2] I follow a similar approach to Carter and Hodgson (2006) and Mahoney and Qian (2013) and refer to the resource based view as to the umbrella of related ideas including competence, capabilities, dynamic capabilities, the knowledge based view, and evolutionary economics.

[3] Regarding real options analysis, in particular, Adner and Levinthal (2004) have argued that while organizational adaptations can extend the applicability of this theory, the conceptual boundaries between real options and more generic notions of path dependence -a conceptual pillar of the RBV- not easily distinguishable (Adner & Levinthal, 2004).

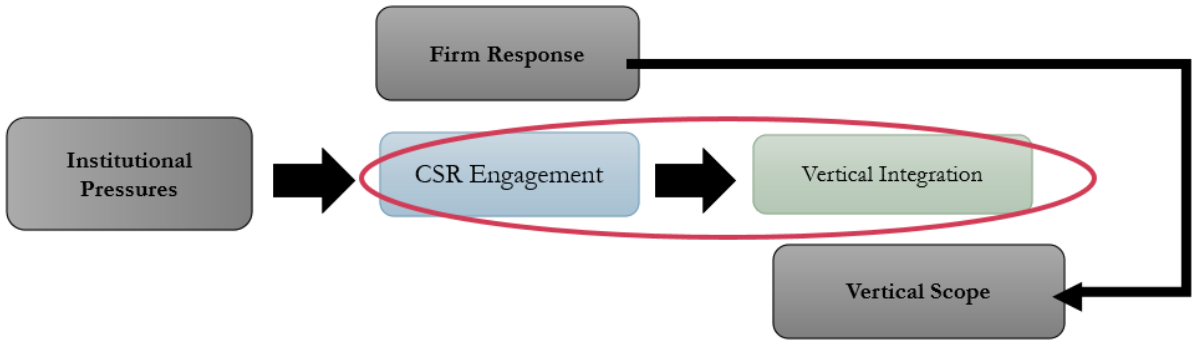
[4] I acknowledge that it can be argued that flexibility is actually a core tenet of real options theory. A thorough argument in this vein has been developed by (Scherpereel, 2008). Basically, the author proposes that firm, market, and hybrid governance structures emerge from the need for flexibility in an uncertain world. From this viewpoint, market governance exists when there is genuine uncertainty, which cannot be resolved by internal coordination.

toward corresponding specific stakeholder segments is showing that firm resources are increasingly oriented toward garnering strengths on primary stakeholders dimensions, inclusive of both consumers and suppliers (Perrault & Quinn, 2016). Extant CSR literature suggests that stakeholder orientation increase mutual trust among a firm and its partners and also cooperation with suppliers (Andriof & Waddock, 2002; Jones, 1995). CSR can also enhance a firm's willingness to uphold contracts and even honor more informal commitments (Campbell, 2007). In this sense, CSR may foster collaborative actions (Ghoshal & Moran, 1996) and reduce the likelihood of opportunistic behavior (Bénabou & Tirole, 2010; Eccles, Ioannou, & Serafeim, 2014). Furthermore, CSR may reduce contracting costs (Jones 1995), and thus incentivize procuring services from external vendors. Hence, CSR might be an emerging and thus far overlooked antecedent of firm's vertical scope. In summary:

> *Main study proposition: The higher a firm's engagement in CSR, the lower its likelihood for vertical integration*

In addition, a forthcoming manuscript would explore how related TCE and RBV constructs such as asset specificity and absorptive capacity may bear upon the above main proposition. As a work in progress, the meaningful feedback gathered during IABS 2016 will help develop nuanced hypotheses basing off the main study proposition and including related constructs; and empirically execute the study. This forthcoming manuscript will then survey for not only for main, but also moderation and mediation effects of CSR on VI. Figure 1 presents the overarching theoretical framework.

Figure 1: Theoretical Framework



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Corporate Social Responsibility and Performance

Profiting from Privacy: Critical Analyses of Business Initiatives Involving Personal Privacy and Information Control

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Abstract: Privacy has played substantial roles in culture and commerce for centuries, but its political and economic impacts have intensified as utilizations of information technologies have expanded. Businesses should consider whether their increasing investments in data collection and analysis are indeed worth their costs in erosion of trust between themselves and their customers (and other stakeholders). This paper examines specific kinds of data, including from geospatial systems and "Internet of Things" applications. It also discusses potential expansion of US privacy discourse from the Fourth Amendment of the Constitution to the Third (which may be interpreted to involve limits on residential "quartering" of intelligent computer agents as well as human soldiers). Businesses may find that privacy-related products and services can provide strategic advantages as privacy concerns intensify. However, opportunistic business exploitations of privacy fears without provision of effective solutions may backfire as households share experiences via word-of-mouth and social media crowdsourcing.

Keywords: Privacy, Social Media, Big Data, Geospatial Systems, Internet of Things (IoT)

INTRODUCTION

In the past few decades, large-scale data collection and information dissemination practices have acquired substantial economic and political significance in the everyday lives of individuals and households (Oravec, 2003; Pasquale, 2015). Privacy and freedom of information issues are becoming even more complex and consequential as "big data" and machine learning replace more traditional forms of dossier collection, statistical analysis, and archiving. The kinds of information collected about individuals and households have become more detailed and the mechanisms for analysis more sophisticated, including intimate data from medical devices and sensors. This paper explores the varieties of privacy and autonomy issues that are emerging in these contexts, including issues associated with household and community "Internet of Things" (IoT) initiatives in which thousands of sensors are integrated into everyday items and devices (Howard, 2015). The enormous amounts of data associated with social media systems and mobile applications have increased the number of facial recognition, locational tracking, socioeconomic analysis, and related practices being conducted by corporations as well as governmental agencies.

Corporations and governmental agencies often couple and reinforce their information-related efforts, which can magnify the difficulty of discerning legitimate and actionable privacy-related concerns and mapping practical modes for addressing them. Individuals and households who pose

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requests as to what kinds of information is being held about them by organizations and as to how it is being used can be frustrated by the lack of specificity in the responses they receive, if they indeed obtain any responses at all (Oravec 2013, 2014). Organization-based privacy offices and agencies (such as the CPO, or "chief privacy officer") have been presented as a solution to these concerns (Amyx, 2016). However, the CPO structure can often diminish individuals' chances of obtaining answers to their requests rather than increase them, providing barriers that are largely designed to protect organizations against legal attacks rather than increase organizational transparency.

At the same time that data analysis has become a larger business and governmental function, assortments of recent cases have engendered public interest dealing with privacy. For example, facial recognition analysis has triggered attention to the use of biometrics (McGuire, 2000); socioeconomic profiling initiatives along with geographic information system (GIS) and related locational applications have stimulated concerns about their use in increasing societal inequalities rather than enabling positive societal changes (Pasquale, 2015). Many of the technological initiatives described in this paper can also be linked to various rhetorics about terrorism and national security (Oravec, 2004a), which have been expanded into larger international discussions because of Edward Snowden's revelations about the previously-denied collection of individuals' communication traces by US agencies (Howard, 2015). Aditya, Bhattacharjee, Druschel, Erdélyi, & Lentz (2015) frame the notion of technological privacy invasion in terms of a "transparent citizen" configuration (p. 53) in which many intimate details about the lives of individuals are immediately available to corporations and governmental authorities. As described in the following section, the notion that the Internet of Things devices installed in households can be used as "smart spies" has also been part of public discourse on these issues (Hernandez *et al,* 2014; Kuksa & Fisher, 2016).

The affective and personal aspects of privacy are critical to consider in terms of privacy: the feelings associated with privacy protection and invasion, especially in the context of modern information technologies, can influence whether organizations are trusted. Privacy plays important roles in full economic participation and community membership-- from the perceived protection it provides in the voting booth to the buffer it affords individuals and households for political reflection. Expressions of the feelings associated with privacy invasion are playing considerable roles in political and social realms as societies struggle with the consequences of the widespread implementation of surveillance, control, and data analysis systems, as well as the increasing capabilities for voyeurism on the part of individuals and collectivities. If individuals as citizens and consumers feel oppressed by privacy invasion, they may have less energy and interest in autonomous economic, civic, and community activities. Expressions of feelings of fear related to personal safety and security against terrorism are also used to counter aspects of privacy discourse in political spheres, as some individuals assert that their sense of being protected and secure overrides their disquiet concerning privacy invasions (Oravec, 2003). Corporations, non-profit organizations, and governments need to listen to individuals' and communities' expressions concerning privacy, just as they are often involved in other kinds of corporate responsibility issues (Herrera, 2015). They can work with households to provide needed information and support for effective discourse on these and related matters involving emerging technologies.

THE "INTERNET OF THINGS" (IoT) AND PRIVACY CONCERNS

IoT notions are often traced to MIT researcher Kevin Ashton, who reportedly coined the "Internet of Things" term in 1999 to characterize the use of radio frequency identification (RFID) technologies in supply chain management applications (Ashton, 2009). Want, Schilit, & Jenson (2015) compare IoT with previous Internet approaches in the following manner:

> The conventional Web is a convenience we enjoy as we search for information, respond to email, shop, and engage in social networking; the IoT would expand these capabilities to include interactions with a wide spectrum of appliances and electronic devices that are already ubiquitous in the early 21st century. (p. 28)

Publicity efforts involving IoT initiatives have often been construed in terms of "hype" (Hurlburt, Voas, & Miller, 2012); however, IoT approaches have indeed taken on considerable research and practitioner momentum as substantial advances have materialized. The architectural elements of IoT systems comprise an assortment of methodologies and technologies, including RFID, wireless sensor networks (WSN), cloud storage, data analytics, Bluetooth networks, and many others (Gubbi, Buyya, Marusic, & Palaniswami, 2013); this broad mix provides special concerns for cybersecurity initiatives. As described by Want, Schilit, and Jenson (2015), "other important IoT enablers are peer-to-peer connections, low-latency real-time interaction, and integration of devices that have little or no processing capability" (p. 28). This wide diversity of technologies, developers, and service providers can lead to difficulties in the formulation of coherent approaches for IoT privacy protection. An additional shift that complicates cybersecurity initiatives is the way IoT strategies have moved many everyday household control functions away from the immediate home environment; many IoT systems have considerable cloud components as well as device-level capabilities, with substantial storage and processing power located away from the household itself as well as in the devices involved. Examples of specific IoT devices and artifacts include home appliances such as refrigerators and coffeemakers as well as household robots (Holm, 2016). Essential community energy and water systems are also involved: thermostats and water meters have been popular areas for IoT development and adoption (Hernandez, Arias, Buentello, & Jin, 2014). Developers have incorporated modes of Internet connectivity into other common household items (even disposable ones) and various articles of clothing (Hartzog & Selinger, 2016). Of substantial concern where privacy and household control are concerned are the growing assortment of IoT health related applications, such as those that dispense medications to the elderly or monitor children (Albrecht & Mcintyre, 2015). The *BBC News* (2014) reported how IoT devices and appliances can be hacked: "Fridge sends spam emails as attack hits smart gadgets" signaled to readers that IoT devices could not be trusted. These emerging home systems have the potential to increase the privacy threats that individuals and households will face. The sustained attentions of the businesses involved as well as the public are needed to deal with the issues involved (Amyx, 2016).

Legal and social protections for households are just emerging against IoT privacy breaches as well as against the kinds of potential opportunistic behavior of IoT developers and distributors. In circumstances in which US governmental activity is involved, the Fourth Amendment of the US Constitution provides some legal protections against unwarranted searches and seizures, which have been interpreted by many courts as encompassing computer technologies (Oravec, 2003). The

Third Amendment could also have some applicability as botnets and other intelligent agents are effectively "quartered" in our homes. The Amendment reads: "No Soldier shall, in time of peace be quartered in any house, without the consent of the Owner, nor in time of war, but in a manner to be prescribed by law." The late US Supreme Court Justice William O. Douglas used the Third Amendment in his efforts to uphold household privacy (Reynolds, 2015). The character of the IoT regulation that will emerge are uncertain: recent IoT initiatives have yet to meet with substantial levels of scrutiny on the part of most government agencies in the US and UK. Frieden (2016) declares that "Currently IoT test and demonstration projects operate largely free of government oversight in an atmosphere that promotes innovation free of having to secure public, or private approval" (p. 1). Various kinds of IoT design and implementation oversight may emerge in the US, UK, and European Union (and various other nations and national groupings), and how they will deal with privacy issues is still unclear.

SOME AFFECTIVE ASPECTS OF PRIVACY

The prospect of IoT "smart spies" in our homes has affective as well as economic dimensions. There are many contradictions involved in privacy affect and related expression (including advocacy initiatives): for example, employees' expressions of concern about privacy invasion in the workplace can serve to trigger increased levels of individual surveillance as managers wonder why the privacy is needed (Oravec, 2004b). "Coming out for privacy" by selecting the options that are sometimes provided to individuals for privacy can serve to individuate. For example, placing oneself on the "do not call" list provided by many direct marketing firms puts one's name on an even more exclusive list, and encrypting one's everyday electronic communications can signal that one's correspondence is of particular economic value or political interest. The notion of "participatory surveillance" can be of help in analyzing technological trends that involve individuals intimately and personally in their own surveillance (Oravec, 1993). Many subjects of surveillance build relationships with forms of non-covert surveillance (including visible surveillance cameras, IoT devices, and drones) in which they try to act in ways that are in conformance with the demands and requirements of those who are controlling their perceived or imagined surveillance, thus "participating" at least in some small way in their own monitoring. This participation may make it more difficult for individuals to resist or criticize these forms of surveillance since they have personally played a role in them. Corporations that have intentionally worked to facilitate participatory surveillance in some ways have sometimes disempowered individuals in expressing their opposition (if any) to the surveillances involved by claiming that the participants were aware of the surveillance and tacitly gave their consent by not exiting the situation. Some forms of "reciprocal surveillance" have emerged as individuals share information about current and potential surveillance with others via social media or other crowdsourced, word-of-mouth communications.

Examples of widely-discussed controversies that deal with expression of privacy feelings include (1) the use of social security numbers for non-social security purposes; (2) the implementation of workplace and educational surveillance mechanisms such as "active badges" and "office cams" that effectively monitor everyday workplace activities; and (3) the use of biometrics (such as fingerprints and retinal scans) in order to identify individuals in mundane business interactions. There are a number of common themes in these cases, including that the feelings involved with privacy are often construed as somehow suspicious or illegitimate (if you have "nothing to hide," then you will be unconcerned about privacy). Economic and technological changes can also engender privacy-

related feelings (including anxiety), with certain kinds of privacy violation incidents serving to stimulate attention to these topics and bringing intensely personal matters to the public stage. The use of fingerprints in some banking transactions has engendered controversy linked to its many psychological associations and cultural meanings, as described below:

> The use of biometrics for identification and verification implicates concerns from many sectors. The use of biometric identifiers worries privacy advocates as well as religious groups. Pat Robertson, founder of the Christian Coalition, believes that the Bible foretells of the danger associated with the increased use of biometric identifiers. He announced that "[t]he Bible says the time is going to come when you cannot buy or sell except when a mark is placed on your hand or forehead." Other problems stem from some cultures objecting to the physical aspects of scanning. Also, some people may fear that the scanners contribute to the spread of germs. Other disadvantages relate to the development of systems that adequately accommodate the disabled. (McGuire, 2000, p. 446)

Privacy discourse often has strong economic and social class-related themes; the accounts of individuals of higher socio-economic status about privacy invasion are often its primary topics, and the expressions of lower income groups about comparable issues are generally overlooked or dismissed. For example, the assertions of some US welfare recipients that fingerprinting or drug testing makes them uncomfortable are generally considered less powerful statements about privacy invasion than the comparable expressions of individuals whose Internet behavior during on-line purchases is being tracked.

Privacy issues have long cultural roots as well as immediate implications (Oravec, 2003; Pasquale, 2015). The notion of privacy emerged as a force in political philosophy in the sixteenth century, with considerable linkage to Reformation ideology. Privacy has undergone a number of changes, both in the modes of its expression and in the basic ways that privacy issues are construed by governments and businesses. The phrase "right to be let alone" was coined in the nineteenth century by Warren and Brandeis (1890), long before the large-scale mechanization of information collection; this articulation of privacy-- as the right not to be intruded upon by government or by other citizens-- still plays a considerable role in legal formulations of privacy in the US. Privacy as a cultural object has often been associated with social withdrawal and the choice to live a life apart from community or governmental intrusion. However, many of the intrusions that citizens are facing today are not physical but information-based, from the telemarketer who calls at dinnertime to the doctor who is careless with medical records. Thus the meaning of privacy has been increasingly intertwined with economic, social, and political aspects of human life. Sociologist Robert Merton (1968) purports that our social existences are only possible because of the buffers that privacy practices provide.

In recent years, characterizations of privacy have often involved the concept of "information control"-- the ability of individuals to control the dissemination of personal information pertaining to themselves; expressions involving feelings of personal control are often intertwined in current privacy discourse (Howard, 2015). Few aspects of our political and social lives are without dimensions that relate to privacy, and thus the economic dimensions of privacy are of critical importance. Individuals who are deprived of privacy can be disempowered in their specific economic functions (such as obtaining credit and employment) as well as their larger citizenship

interests. Some businesses "sell" privacy-related functions at a premium (such as identity theft protection or reputation management services), which can put households with fewer resources at a substantial disadvantage (Oravec, 2013).

"INFORMATION SOCIETY" NOTIONS: THEIR RELATION TO PRIVACY

The beginnings of "information society" approaches of the last part of the twentieth century provide clues to our current situation; the "information as a resource" philosophy, rhetoric, and practice in the US emerged in the 1970s and 80s, often running parallel with privacy concerns but not directly dealing with them. These two decades saw the expansion of information resource economics in the US, spearheaded by the early theoretical work of economists Fritz Machlup and Marc Porat (as outlined in Oravec, 1996). In this period, a resource-based rhetoric emerged in a number of public sector arenas, with the notion of "human resources" also reframing efforts dealing with human participants in businesses and government units. In the advent of information as a resource approaches, traces of human activity collected by many organizations in the US and UK became "resources" for institutional units at higher levels, often leading to distortion of local conditions and redirection of policy toward the objectives of larger levels; it also resulted in costly expenditures for computer equipment and technological training. Specific cases of the institution of information as a resource practices in business and public policy contexts display how these strategies have often altered decision making patterns as well as institutional focuses. For example, many administrators and human resource professionals shifted their methods of evaluation of position holders and candidates as advanced metrics concerning personal attributes and behaviors became available (Strathern, 2000). These contexts also exhibit how the privacy implications of information as a resource approaches have been handled; for example, some of today's administrators and HR staff use detailed analyses of social media input in their HR decisions, whether or not the individuals involved are notified of the practices.

Through the past decades, the dimensions of corporate and political support for information as a resource perspectives grew along with the eventual reification of this support in specific legislative and policy initiatives. Attention to privacy concerns was somewhat muted in relation to the overwhelming support by corporations and government for the expanded collection of data (Oravec, 1996); user education in privacy-related topics has lagged through the past decades as well (Oravec, 1999; McGuire, 2000). Those who are concerned about privacy today need to recognize how these "information as a resource" notions have framed discourse on privacy for decades, emphasizing the organizational dimensions of data collection and analysis and often neglecting the perspective of the individual, household, and community.

LOCATIONAL PRIVACY AND GEOSPATIAL SYSTEMS

Locational data have become a major part of many information resource initiatives. Privacy issues involving geospatial systems (including geographical information systems or GIS) involve such matters as the appropriateness of the modes for information collection (including the use of drones), the incorporation of data in multiple applications and purposes, and the stewardship of the information produced (for example, protection against hacking and voyeurism). Recent controversies involving Google Maps demonstrated these concerns; various organizations and

communities complained about the possible surreptitious collection of wifi data and other surveillances on the part of Google (now part of Alphabet Corporation):

> Google's Street View service gathered street-level imagery visible to the general public on Google Maps by roaming the streets with omni-directional cameras mounted on their cars. Sometime after the service was launched, Google upgraded the cars to include a wireless signal detector, which would record the Media Access Control Address (MAC address) along with other data, make a note of the car's current global positioning system (GPS) location, and correlate the two in a massive database. This geolocation database was then made available to the public; an individual's cell phone or other mobile device would query the database with a list of visible nearby networks, and Google's system would return a fairly accurate geolocation. This system was brought to public attention upon discovery that the data collection was more extensive than first thought: Google had inadvertently captured significant amounts of payload data, including passwords and sensitive personal data. (Chow, 2013, p. 56)

Approaches toward these issues in the US contrast with those of the European Union (EU), a difference that has substantial implications for cross-border data flow. The "opt-in/opt-out" strategies involved in many information collection configurations also need to be refined and modified to encompass the complex aspects of location-related data.

What is a privacy-related issue concerning locational data? Privacy issues involving geographical information systems (GIS) can deal with the appropriateness of the modes for information collection about location (including the use of drones), the incorporation of locational data in multiple applications and purposes, as well as the stewardship of locational data (for example, protection against security violations). Individuals' personal and economic interests are tightly coupled with their personal locational statuses in many ways. Related privacy issues can

- involve the "right to be let alone" (Samuel Warren and Louis Brandeis, 1890);
- involve an individual's reasonable expectations for freedom-from-surveillance;
- incorporate control over personally-identifiable information (including its security and how it is combined with other information); and
- be coupled with human rights concerns such as equal treatment issues involving the collection and handling of locational data.

Individuals and households indeed volunteer all sorts of locational information, through social media such as Foursquare, use of smartphones and GPS, and various kinds of "active badges" at work. However, volunteering information does not entail that the information collected should be abused.

Continuing on the previous theme, what would indeed entail the "abuse" of personally-identifiable information, including the location-related data just mentioned? The implications of the following factors (especially in conjunction with each other) can be considerable:

- ineffective cybersecurity efforts;

- selective or punitive dissemination;
- opportunistic data collection… collection of more kinds of information than originally declared (Google Maps' unannounced collection of wifi information from homes in the past decade, previously described); and
- reuse of information in ways not directly communicated to the individuals involved (the European Union has far stricter standards than the US does in this regard).

As stated above, the European Union mandates an "opt-in" approach in many corporate and governmental information collection efforts: organizations need to establish systems that handle personally-identifiable information (PII) in a manner that is clear, open, and understandable. Here is a description of some EU demands concerning PII permissions: "If telecom operators want to use base station data in order to supply a value-added service to a customer, according to the revised e-privacy directive they must obtain his or her prior consent. They must also make sure the customer is informed about the terms of such processing" (Doyle, 2011, para #4). The notion that individuals who are not associated with specific criminal investigations can be tracked without their permissions presents a dystopian vision of a future without significant personal freedoms.

SOME CONCLUSIONS AND REFLECTIONS

Why should individuals, households, and communities be concerned about the privacy of information collected, analyzed, and stored by businesses and governments? Much of current public discourse and academic writing on the economic and political implications of information systems is rooted in the following notion: corporations and governments need to make whatever information collection and locational systems that exist support and enhance communities and not control or exploit them. People with business, computing, and analytical backgrounds should work to listen to communities about privacy-related concerns and clarify these issues for a public that may not understand the technical details and potential implications. Many corporate leaders are allied with the "information as a resource" approaches outlined in a previous section and may not understand or share the privacy-related perspectives outlined in this paper. Schwartz (2016) declares that "Corporate Privacy Failures Start at the Top" and projects the following:

> an additional corporation-side market distortion theory to help explain corporate privacy failures. Under this theory, extensive corporate disclosure requirements, including the potential for disclosure of executives' personal information, as well as legally unchecked media interest in the personal lives of corporate executives combine to sort the pool of corporate executive candidates towards individuals who do not themselves highly value privacy. This sorting effect within the executive suite then impacts the corporation's ability to recognize when seemingly neutral decisions may impact privacy. (p. 1).

The concept of privacy relates to the political and social expressions involved in community participation, and such discourse can indeed exhibit apparent contradictions and complexities. For instance, governments have vested interests in being able to accumulate vast amounts of information about citizens, yet are also called upon to be the protectors of individual and household-level privacy. Businesses need to collect and process information about their clients as well as their business competitors, but also are required to recognize the affective and pragmatic dimensions of privacy. Another set of contradictions relate to the Internet of Things innovations

discussed in this paper; these emerging technologies indeed empower households to perform many vital and complex activities yet can also perform the roles of "smart spies" (Weinberg, Milne, Andonova, & Hajjat, 2015). As related in this paper, the Third Amendment of the US Constitution prohibits the mandated "quartering" of intelligent entities in our homes under many circumstances; it may be increasingly used in legal considerations involving IoT devices, reminding everyone involved that households should be free from forms of intrusive "surveillance from within." The paper and its related IABS presentation maps these critical issues in the spirit of calling businesses and governments to generate momentum in understanding and mitigating the current and potential privacy violations involved with emerging technologies.

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Social Entrepreneurship and Social Enterprise

Benefit Corporation Certification: An Initial Exploration of Mechanisms of Legitimacy in Two Industries

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Abstract: This paper develops a theoretical framework to explain how B-Corps certification is used by organizations to gain legitimacy in their industry and among diverse stakeholders. We explore two research propositions using data from pilot cases. The paper introduces our preliminary findings, outlines a revision of the study based on these findings, and discusses contributions for the research.

Keywords: Certification, B-Corps, Benefit Corporations, Legitimacy

INTRODUCTION

Companies are increasingly at risk from negative media coverage and shifts in public opinion regarding the social or environmental impact of their products and services (Luo et al. 2012). One way organizations can mitigate this risk is to take a proactive, self-regulatory approach to calls for social and environmental accountability (Khanna 2001; Luo et al. 2012). Self-regulation related to demands for social responsibility can take many forms. These include voluntary initiatives sponsored by regulatory, non-profit, and industry associations or single-organization responses (Khanna 2001). In this paper we develop a theoretical framework and offer initial results designed to explain how social certification, specifically B Corp Certification by B Lab, is used by organizations to gain legitimacy in their industry and among diverse stakeholders.

Social Certification

Social certification is a way for businesses to respond to social demands for accountability in the areas of labor, environmental practice, and social good. Bottega and De Frietas (2009: 109) define certification as "a process where a third party verifies the fulfillments of a firm to certain criteria or standards." Fair Trade certification, for example, arose in the 1980s out of a social movement that supported fair prices and trading agreements for small producers of goods in developing countries (Huybrechts and Reed 2010). According to B Lab, "B Corp certification is to sustainable business what LEED certification is to green building or Fair Trade certification is to coffee".[2] Scholars argue that by conferring legitimacy to the organization, social certification could lead to tangible benefits

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[2] Retrieved from http://www.bcorporation.net/what-are-b-corps/about-b-lab. Accessed 11-9-2015.

including: risk mitigation, improved brand reputation, facilitation of resource networks, and the ability to charge premiums for products (Bottega and De Frietas 2009; De Magistris et al. 2015; Rao 1994).

Benefit Certification

Benefit corporations are an important example of a business form that institutionalizes dual purposes of providing a social benefit to society while preserving the financial interests of its shareholders. There are currently two paths available to organizations that wish to adopt the benefit label. "Benefit Organizations" are legal in thirty-one states and are a form of legal incorporation (Clark and Babson 2012).[3] Benefit Organizations, unlike traditional corporations and partnerships are legally obligated to contribute to social or environmental welfare (Clark and Babson 2012; Cummings 2012). As an alternative to incorporating as a Benefit Organization, B Lab is a nonprofit organization that will certify organizations as "B Corps." This label is a self-regulatory mechanism where the organization agrees to third party verification of the organization's social and environmental practices in order to receive the label (Chen 2014). Organizations can be certified with or without a legal incorporation as a benefit corporation.

Benefit Organizations and B Corps reject the antagonism between profit models and social welfare. This false dichotomy suggests an either or perspective where corporations could either do good *or* be financially successful. Organizations seek the benefit label in order to declare both a profit and a social benefit. Research on corporate social performance has tried to deconstruct this either/or narrative by investigating the business case for social responsibility (Margolis and Walsh 2002; Waddock and Graves 1997). While no definitive claim has been yet made to support the benefit of social performance on financial performance, there is no clear evidence that these dual efforts are damaging to the firm (Blowfield and Dolan 2010).

B Corps Certification is a relatively new organizational certification, with the first B Corps certified in 2007.[4] The decisions behind certification are not well understood and their reputational benefit remains to be measured. Previous studies have looked at the ways in which institutional factors (government regulation, professional membership, institutional logics, contests, etc.) act as mechanisms to confer legitimacy (Kelly and Dobbin 1999; Rao 1994; Scott et al. 2001). Also, studies have shown how stakeholders specific to the organization impact decision making and the perceived legitimacy of the firm (Freeman 1984; Mitchell, Agle and Wood 1997). Little research, however, has bridged these two types of mechanisms for legitimacy (see, however, Elms and Phillips 2009) or looked specifically at the ways in which social certification acts as a legitimating force.

In this paper, we offer the initial results of our examination of B Corps Certification within two broad industries or fields: 1) food and beverage, and 2) investment. We anticipate that the justification for certification will vary between the two industries based on differing demands from institutional actors and organizational stakeholders. We discuss these expectations in the theoretical framework below.

[3] Retrieved from http://benefitcorp.net/policymakers/state-by-state-status. Accessed 11-13-2015.
[4] Ibid.

THEORETICAL FRAMEWORK

Legitimacy and Stakeholders

Institutional theorists and stakeholder theorists agree that organizations react to external demands on their organization in order to maintain the legitimacy or good reputation of the organization. They differ, however, on the mechanisms through which legitimacy is conferred.

Tolbert and Zucker (1983) argue that once institutional norms, like social responsibility, become widely recognized within the broader organizational field, organizations are "under considerable pressure to incorporate these elements into their formal structure in order to maintain legitimacy" (26). They argue that organizations are seen as legitimate the more they adopt and enact institutional norms that are valued at the field or industry level (see, e.g. Deephouse 1996; Ruef and Scott 1998). According to Suchman (1995: 574):

> Legitimacy is a generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definitions.

We argue that by pursuing B Corps Certification, organizations may perceive that they gain legitimacy within their industry, especially when others in the industry are also certifying. This legitimacy in turn could increase their resources, their potential for survival, and avoid unwanted outside scrutiny that may be detrimental to the firm (Deephouse and Suchman 2008; Meyer and Rowan 1977). Institutional forms of legitimacy are driven by industry-level pressures. These pressures are likely to be a stronger influence for organizations whose main clients are industry-level actors, not individual actors directly linked to the firm. In the investment industry these industry-level actors (advisors, retirement plans, nonprofit organizations, family offices, etc.) are often more common drivers of investors to the firm than individual level clients. Due to the rise of indirect distribution channels, the investment industry may be more aware of industry-level pressures than other organizations in other industries.

PROPOSITION 1: *Respondents in the investment industry, whose clients are less likely to be individual consumers and more likely to be groups of investors or organizations, will be more likely to emphasize institutional forms of legitimacy as compared to respondents in the food and beverage industry.*

Rooted in stakeholder theory, another form of legitimacy is conferred by stakeholders specific to the organization. Stakeholder or pragmatic legitimacy is based on an "organization's ability to convince stakeholders of the usefulness of its decisions, products, or processes" (Basu and Palazzo 2008: 126). Stakeholder legitimacy is driven by organizational responses to their specific stakeholders. In the food and beverage industry, for example, these stakeholders could include consumers, suppliers, employees, and the community. Under this view, each organization has unique stakeholders whose expectations, and basis upon which they grant legitimacy, differ. Instead of institutional norms at the industry-level creating pressures to adopt certification, these theorists argue that organization-specific pressures impact organizations to adopt differing forms of social responsibility (see Elms and Phillips 2009). We would expect then, that organizations in the food and beverage industry

might adopt certification in response to individual stakeholder requests or wishes as direct stakeholders are more tied to consumer behavior.

PROPOSITION 2: *Respondents in the food and beverage industry, whose customers are more likely to be individual consumers and organization-specific, will be more likely to emphasize stakeholder forms of legitimacy as compared to respondents in the investment industry.*

METHODS

This study was designed as an exploratory, in-depth interview study. We sampled from organizations who have adopted B Corp Certification in the food and beverage industry and investment industry (made up of Equity Investors and Investment Advisors). According to B Lab's listing of Certified B Corporations, as of October 2015 there were 144 certified corporations in the Food and Beverage industry and 78 certified corporations in the Investment Industry, out of roughly 1500 total certified corporations. For the pilot of this study we sampled two organizations within each industry for a total of four interviews. The full study has been redesigned based on these pilot interviews and will include twenty interviews in each industry for comparative purposes. We limited the sample to organizations in states that also have a legal option for benefit incorporation in order to investigate the reasons why organizations may choose incorporation and/or certification.

Respondents were recruited to participate by contacting the listed representative from the B Lab query. Each organization has an extensive profile within the B Lab website that allows researchers to identify and contact participants. Respondents were identified within the corporations by emailing to ask to interview a person who is knowledgeable about the process the organization took to become certified. Once a respondent within the organization made a commitment to participate they were sent an IRB approved consent form to sign. Upon receipt of the consent form, the interview was set up virtually. Each interview lasted between thirty and sixty minutes.

Analysis

The four pilot interviews were audio recorded, transcribed, and loaded into MAXQDA, a qualitative software management program. In MAXQDA we coded the transcripts for deductive and inductive codes. This process allows us to link responses to the theories we have outlined while remaining open to identify additional codes and patterns in the data that were not previously identified (Miles, Huberman, and Saldana 2013). The following deductive codes were established for this study based on concepts from the theoretical framework above:

Table 1. Deductive Codes for Interviews

INSTITUTIONAL	STAKEHOLDER
Institutional Legitimacy	Pragmatic Legitimacy
Norms	Stakeholders
Institutional Field	Organization Level Pressures
Reputational Resources	Strategic Resources

Additionally, inductive codes emerged during the analysis of our pilot cases. These codes included: legal protection, social movement, living values, encouraging others, and first adopter/late adopter. We found that these codes, rather than the deductive codes, were most important in the pilot stage and have led us to redesign the study. Our discussion of preliminary findings and revision of the study based on these findings are discussed below. Qualitative research is often a recursive process of data collection, analysis, and revision. Research designs can be continuous, flexible and adaptable to help researchers deal with unexpected finding and to reshape their studies (Rubin and Rubin 2012). The inductive codes and themes that we uncovered during the study prompted us to redesign the project to better reflect and capture emergent themes.

PRELIMINARY FINDINGS

In response to propositions one and two we expected to find differences between the food and beverage industry respondents and the investment industry respondent in terms of the types of legitimacy they would focus on. We argued that the reasons for certification would be justified by talking about key stakeholders that are differential to the two industries. We looked to code segments of text that aligned to discussion of institutional, or industry level, legitimacy versus stakeholder, or individual level, legitimacy.

PROPOSITION 1: *Respondents in the investment industry, whose clients are less likely to be individual consumers and more likely to be groups of investors or organizations, will be more likely to emphasize institutional forms of legitimacy as compared to respondents in the food and beverage industry.*

Proposition one focused on the investment industry. When talking to the respondents in the investment industry we expected to hear about other organizations and industry associations that may also be promoting certification. We argued, in our theoretical discussion, that institutional stakeholders would promote adoption of certification.

Little was discussed in our interviews about institutional legitimacy. Instead, respondents were eager to discuss how B-Corps certification helped the organization "legally protect their values". Michael Baron of Lantern Investments[5], discussed how adopting the B-Corps standards allowed Lantern to legally follow their philosophy that "financial wealth and ecosystem and social health should be able to create, sustain, and enable each other."

Another theme that emerged in the pilot data was the desire for B-Corps certified firms to be a leader in "the movement" of B-Corps certification. The values that aligned with certification included values of wanting to give back, promote the broader social good, and provide pathways to other organizations who sought social impacts. Todd Marko of Oak Advisors argued, "we have an obligation to recognize that our job is to sustain ourselves in such a way that our children and grandchildren are better able to sustain themselves."

[5] All names, and names of organizations, have been changed to protect the confidentiality of our respondents.

PROPOSITION 2: *Respondents in the food and beverage industry, whose customers are more likely to be individual consumers and organization-specific, will be more likely to emphasize stakeholder forms of legitimacy as compared to respondents in the investment industry.*

In response to proposition two we expected to find themes among the food and beverage respondents that focused on individual or consumer relationships in their discussions of legitimacy. Stakeholder legitimacy suggests that relationships that are firm specific – particularly direct stakeholders – will encourage firms to respond in socially responsible ways. B-Corps certification could be one response to stakeholder demands.

When analyzing the first two interviews from the food and beverage industry we found two compelling areas for further analysis that had little connection to our initial expectations for stakeholder legitimacy. First, respondents talked about certification as a way to "live our values". For example, Colin Moore, the founder of Earth Products, described certification as a way that his organization could maintain their values and desire to be a "force for good". He said, "we want to make our businesses as sustainable as possible and do good things in our community."

A second area for further investigation was revealed when we heard discussions that respondents wanted to encourage other firms to certify. Mary Davenport of Tangerine Foods explained the desire to encourage others as described her organization's reasons for certifying: "I don't think certification has changed anything that we do. Everything that we started doing whether it was organic, sustainable, fair trade, "do the right thing," predated B-Corps . . . The perception was that A this puts a name behind what we're doing . . . [and B] essentially in joining the community, the movement, we are encouraging others to do the same."

STUDY REVISION

Upon review of our preliminary data we stopped data collection. We recognized that there were several missing dimensions in our study design that did not allow us to explore the full story behind why B-Corps certify.

The first missing dimension had to do with who we were talking to in our initial interviews. In qualitative data collection it is common that the people most willing to talk are those who are most interested in your research topic. When we put out the initial recruitment emails, we did not anticipate that this would impact our data. We quickly recognized that the initial respondents who agreed to be interviewed were the "founding members" or "first adopters" in B-Corps certification. Upon review of these interviews we believe that the responses represent only one group of B-Corps organizations. Based on our inductive codes it became apparent that the first adopters represented a form of social movement actors whose reasons for certifying may be less about gaining legitimacy or resources for the firm and more about supporting movement goals. This is one area we want to explore further.

A second, related, dimension that we did not consider when designing the study was the connection between certification and social movement language. We found a great amount of discussion around "the movement", "community", "protection of values," and "encouraging others". The

emergent language around social movement themes led us to go back to the literature to investigate how certification might be part of a larger social movement process for these organizations.

A final dimension that was unexpected in our study was how important the temporal nature of certification became. The difference between "first adopters" and "late adopters" in terms of when companies certified was highlighted by our respondents. While we did not interview any "late adopters" in the pilot study, several of our respondents, including the B-Lab employee, suggested that the motivation for certification may be different among first adopters and late adopters who become certified.

Based on our preliminary findings and our analysis of the three missing dimensions described above, we have redesigned our study to include a new level of analysis. While we were looking mainly at differences between the food and investment industry in terms of legitimacy we also realize the temporal nature of certification must be discussed. Our new sample includes the level of first adopters and late adopters to capture differences in four groups (see table 2 below).

Table 2. Sample Revision

	FOOD	**INVESTMENT**
FIRST ADOPTER*	10	10
LATE ADOPTER**	10	10
*June 8, 2007 was the first B-Corps certification, "first adopters" will include those who certified in 2007 and 2009. **In December 2011 B-Corps certification reached 500 companies. Late adopters will include those organizations who certified in 2012-present.		

Our preliminary analysis supports new directions for our theoretical framework. The data suggested a focus by first adopters on social movement language. We are now redeveloping our theoretical framework to explore and integrate social movement theory. We will explore the connection of B-Corps certification to a desire for value alignment or frame alignment with movement goals. Frame alignment is "the linkage of individual and SMO [social movement organization] interpretive orientations, such that some set of individual interests, values and beliefs and SMO activities, goals, and ideology are congruent and complementary" (Snow et al. 1986). B-Lab can be considered a social movement organization that is attempting to elicit support from other organizations. That support is shown through their willingness to certify. Frame resonance, is necessary (Vogus and Davis 2006), as the underlying message of the SMO must resonate with potential certifiers in order for the message to elicit action (in this case the decision to certify). Based on our initial analysis we believe that the first adopters in B-Corps certification may be more likely to promote the values of certification – a contribution to the social good – than later adopters of certification.

FUTURE DIRECTIONS

By looking the findings from our preliminary analysis we have developed four areas of expectations for our study. Table three outlines the justifications we believe will be most prominent among the four groups we will interview.

Table 3. Expected Justifications

	FOOD	INVESTMENT
FIRST ADOPTER	High frame alignment Low stakeholder legitimacy	High frame alignment Low institutional legitimacy
LATE ADOPTER	Low frame alignment High stakeholder legitimacy	Low frame alignment High institutional legitimacy

As we look at the temporal nature of certification among first adopters and late adopters of certification we expect that frame alignment may become a factor that is discussed by respondents. In particular, we believe that first adopters will be more likely than late adopters to discuss social movement motivations. These include the desire to link individual organizations values with social movement orientations through frame alignment. Our expectations in the area of institutional and stakeholder legitimacy remain for the investment and food industries.

CONTRIBUTIONS OF THE STUDY

The contributions of the revised study are three fold. First, the study will explore and provide evidence about why organizations engage in social certification. This will contribute to the literature that investigates the impact of certification on firms and their perceived benefit. The limited research on certification has primarily been in the area of environmental certification with additional research needed to understand the impact of social certification (Bottega and De Freitas 2009; Khanna 2001).

Second, the study will contribute to the literature on legitimacy. Our data will provide evidence on the ways in which organizations perceive B Corps Certification contributes to organizational legitimacy. This will enhance research that has looked at different factors that contribute to the legitimacy of the organization (see, e.g. Basu and Palazzo 2008; Kelly and Dobbin 1999). The study will provide a framework for understanding the theoretical differences between institutional and stakeholder legitimacy. In the two industries, we will highlight the differences and similarities surrounding justifications for certification. Our research propositions suggest that different types of industries will base their decisions to engage in certification on different types of organizational and institutional actors.

Finally, this study will help to connect social movement and organizational theory to the study of social certification. Social certification is a voluntary process that organizations undertake in order to either 1). signal their commitment to specific social values, or, 2). attract specific resources to the firm that will contribute to competitive advantages (e.g. customer loyalty), or, both. These differing motivations have been largely unexplored in the context of social certification.

Future research could build on these theoretical contributions and apply them to a diverse set of industries and a diverse set of social certifications. In addition, future studies could look at how individual stakeholders interpret social certification and if their perception is similar to organizational perceptions of the potential legitimacy that is conferred. This research stream has the potential to connect organizational perceptions of legitimacy with specific stakeholder perceptions of legitimacy

in order to understand whether legitimacy is similarly perceived at organizational and individual levels.

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Sustainability and Sustainable Development **Fits Conference Theme**

Moving Towards a New Language for Business to Promote Greater Sustainability

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Abstract: In this paper, we argue and test the hypothesis that real progress towards greater sustainability in our society will occur only when individuals adopt a new language for business, use holistic thinking, and develop a robust set of economic, social and environmental measures performance.

Keywords: Sustainability, Leadership, Language, Poetry

INTRODUCTION

In his *Encyclical Letter*, dated May 24, 2015, Pope Francis issued an urgent appeal regarding the care of our "common home."[2] The pope called for a "new dialogue about how we are shaping the future of our planet. We need conversation which includes everyone, since the environmental challenge we are undergoing, and its human roots, concern and affect us all."[3] Multinational corporations were expected to join the challenging effort since they can frequently be responsible for unemployment, abandoned towns, depletion of natural resources, and pollution of rivers when, for financial reasons, they move or cease operations. Unfortunately, the pope's new dialogue and holistic approach to better addressing one of the most significant societal problems we face, seems to be at odds with the language and single-minded pursuit of economic goals adopted by many of our most prominent leaders in the business community. Chief executive officers (CEOs) continue to frame their companies' futures egocentrically, in terms of sports, competitive games, and military warfare. They have not yet seriously started to use holistic thinking or to develop a robust set of metrics for "triple-bottom line" performance, which involves equal attention to planet (environmental), people (social) and profits (economic).

In this paper, we suggest that progress towards long-lasting sustainability will be difficult, if not impossible, unless today's business leaders embrace a focus that goes beyond profit to include an equal focus on achieving social, environmental and economic sustainability. We posit that such a shift in mental models – a change in fundamental direction that places people and the planet at an equal footing with profits, requires a new language for business. We argue that what is needed is a

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[2] http://w2.vatican.va/content/francesco/en/encyclicals/documents/papa-francesco_20150524_enciclica-laudato-si.html
[3] Ibid

focus on "stakeholders" not "shareholders," on "we and us" not "I and me," and on "triple bottom line performance" not "bottom line performance." A holistic approach requires a true integration of financial goals and non-financial goals. Leaders must recognize that a "calculative mindset," where decisions are made on the basis of numeric assessments of costs, profits and risks, is antithetical to a more altruistic mindset in which resources are shared, people are treated fairly, and ethical behaviors are encouraged (Wang, Zhong & Murnighan, 2014).

In the following sections, we explore the need for a new language for business and consider how an engagement with the arts, especially poetry, can enhance the social skills and community building necessary for today's leaders. First, we present a correlational case study on how this transformation occurred during the years in which Nelson Mandela was incarcerated: he entered prison a "passionate revolutionary" but exited a "dignified, controlled and balanced statesman" who could lead South Africa on a new path towards freedom and equality (see Stengel, 2010). The poem, "Invictus," was one source of inspiration for Mandela over the course of his political career. Second, we present results from an exploratory empirical study that suggests some causality between the detailed analysis of poetry and a shift in priorities towards an integrated, triple-bottom line approach to sustainable performance, and away from a narrow pursuit of profits.

LANGUAGE AS A MENTAL ROADMAP

Lakoff and Johnson (2003) argue that language has the power to shape reality and become a guide for future actions. The use of metaphors and idioms in everyday speech serves several purposes beyond just rhetorical or decorative; they are conceptual in nature and reflect the processes of thought and reasoning, which in turn influence the attitudes, decisions and behaviors of individual actors. For example, fishermen who talk about a reef as 'the rock' see it as a resource to be exploited, while fishermen who talk about the reef as alive trap lobsters in ways that help the ecosystem self-perpetuate (Madrazo & Senge, 2011). Language provides perspectives which in turn establish the context for decision making. The contextual framing establishes priorities by highlighting who and what are most salient and therefore important in the decision process (March, 1978; Arora et al, 2012).

The current language of business, unfortunately, may inadvertently provide the very opposite of the holistic approach that business leaders and their employees must take to promote greater sustainability. Rationality, viewed as the bedrock of business, economic and scientific thinking (Sugden, 1991; Scott, 2000), assumes that the optimal technique for decision making is deliberate calculation that involves an effortful cognitive process aimed to maximize self-interest (Smith, 1991). Thus, the prescription in business is to approach decisions across contexts by using deliberate calculative strategies, and not surprisingly, the language used reflects as well as encourages a calculative mindset. Support for this approach is reinforced by stories like Warren Buffett suggesting that the best college major is "Accounting – it is the language of business" (as cited in Buffett & Clark, 2006). Indeed, business activities culminate in the corporate annual report and represent a way to "keep score," by disclosing revenues, profits, cash flow, assets and debt.

The use of the language of warfare and sports in business (Camiciottoli, 2007) is also common. A quantitative study of media texts on merger and acquisition strategies found that that the "fighting metaphor" was predominant (Koller, 2004). For years, military terminology -- "market invasion," "price wars," and "guerilla warfare" -- were used in the marketing discipline (Laufer, 2010). As long as the war analogy dominates current thinking, it crowds out social concerns (Desmond, 1997).

The framing of business in the language of accounting, warfare and sports has several concerning consequences. If a business is "at war," then the stakes are high and it might be acceptable to cut corners, break promises, develop shoddy products, spy on competitors, mistreat employees, and harm the environment. It is also easier to forgive the home team for cheating a little, as long as the referee doesn't notice (Killingsworth, 2015). Viewing business as a game could result in four potential harms: compartmentalizing morality, truncating ethical content, trivializing stakes, and adversarial relationships (Hamington, 2009). Language that encourages a deliberate, calculative mindset results in disengagement from work (Belmi & Pfeffer, 2015), declining ethics (Haidt, 2001; Zhong, 2011), lack of interpersonal trust (Williamson, 1993), lower concern for others (Small, Lowenstein, & Slovic, 2007) and greater concern for oneself (Wang, Zhong & Murnighan, 2014). In addition, such language may be the language of the past, not be fully embraced or even accepted by the Millennials – those entering or in relatively junior positions in the workforce.

THE MILLENNIALS' LANGUAGE OF BUSINESS

Future business leaders will come from the Millennial generation (those between the ages of 16 and 34 years). The Deloitte 2016 Millennial Survey concluded that a significant leadership gap exists between the priorities Millennials would have if they led their organizations and what they believe their senior leadership teams emphasize. Millennials continue to place far greater emphasis than current leaders on "employee wellbeing" and "employee growth and development." They would be less focused on "personal income/reward" or "short-term financial goals." Millennials would like businesses to devote effort towards improving the skills, income, and "satisfaction levels" of employees; creating jobs; and ensuring that their goods and services have a positive impact on users. Almost nine in 10 Millennials believe that "the success of a business should be measured in terms of more than just its financial performance" (Fuller, 2016).

Millennials are calling for a new language a business. In Deloitte's 2014 survey of young Millennials, aged 16 to 21 years, almost 50% strongly disagreed with the business use of phrases like: (i) It's a dog eat dog world, if I don't bite first, I'll be eaten; (ii)Business is war; (iii) The purpose of business is shareholder value; (iv) You are always competing – against other businesses, other employees. It is urgent for today's business leaders to assume greater responsibility towards society's future decision-makers by showing much greater concern for people, planet, and profits. They are at risk of causing low morale, skepticism and poor performance if they do not keep up with the growing concerns and demands of the next generation of managers.

THE ARTS AS A NEW BUSINESS LANGUAGE

We propose that the arts can be used as an additional lens in which to view the mission and goals of organizations and their significant relationships to society. Our approach is supported by recent

articles published in *Academy of Managemen*t journals. Michaelson (2015) reasons that the current mindset of students and business people, which derived from readings of such classic texts as *The Art of War* and *The Prince* is incompatible with the more contemporary and collaborative principles of stakeholder engagement, corporate social responsibility, professionalism, and sustainability. He argues for further integration between the arts and sciences in business schools. Bartunek and Ragins (2015) call on scholars and scholar-practitioners to increase their understanding of (a) the types of art that can inspire their thinking and theorizing and (b) the ways in which the arts can open their minds to fresh ideas. They referred to the following relevant art experiences: poetry, fine art, crafts, film, documentaries, photography, dance, theater, music, architecture, and others. Taylor and Ladkin (2009) find that arts-based methods can result in skills transfer; reflection through projection; illustration of the essence; and the release of subconscious ideas, experiences and emotions through the process of "making" something with one's hands.

While we consider all arts to be broadening, with the capacity to help leaders create the basis for long-term sustainable growth for their organizations without having to "win" at a cost to others, this paper, as a starting point, begins with an analysis of the benefits of poetry. We hypothesize that reading and discussing poetry, can help leaders create a more holistic approach towards both their roles and the cultures of their organizations, a stark contrast to the current calculative mindset and single-minded profit focus (Adler, 2006, 2015). Specifically, poetry helps business students develop new insights and express themselves better (Van Buskirk & London, 2012), while increasing emotional intelligence – critical for effective leadership (Morris, Urbansky & Fuller, 2005). Poetry writing encourages creative exploration and informed empathy (Connor-Greene, Murdoch, et al., 2005), and leaders can use poetry as a tool to build trust, demonstrate empathy, communicate more effectively, and inspire others (Grisham, 2006).

A growing number of researchers are studying the brain wave activity of subjects as they read prose compared to poetry: Using fMRI technology, Zeman, Milton, Smith and Rylance (2013) found that brain wave activities of volunteers differed when they read literary prose compared to when they read poetry. Poetry activated the posterior cingulate cortex and medial temporal lobes, which have been linked to introspection. Researchers at Liverpool University conducted a study in which the brains of volunteers were scanned when they read four original lines by William Wordsworth vs. the same lines translated and made easy to comprehend. The original lines triggered greater brain activity in the left hemisphere (for language) and in the right hemisphere (for reflection, autobiographical memory and emotion) than the translated line. Researchers concluded, "Serious literature acts like a rocket-booster to the brain" and that it is better than "self-help books" in dealing with serious human situations (as quoted in Henry, 2013).

A poem, such as "Invictus," or "The Road not Taken," may help an individual to focus, achieve clarity, or discover unanticipated sources of wisdom. Our case analysis examines the life of Nelson Mandela and the role of the poem "Invictus" in his growth and development from young warrior to elderly statesman. Building upon the correlational evidence provided by the case analysis, we discuss an empirical study that tests the causal relationship between studying poetry and a holistic mindset.

NELSON MANDELA AND "INVICTUS"

In his biography of Nelson Mandela, Stengel (2010) writes that prison was the "crucible" that taught Mandela fifteen lessons of life and leadership. He entered imprisonment in 1962 as a passionate and hotheaded rebel and was released 27 years later as a serene and measured statesman. While many role models, life events and books shaped Mandela's personality, we believe that the poem, "Invictus," which Mandela said he recited to himself during times when he felt most powerless, encouraged him to be courageous, steadfast, and hopeful. "Invictus" was written by the Victorian poet, William Ernest Henley (1849-1903). Henley had been a long time sufferer of tuberculosis and surgeons were considering the amputation of his second leg. While Henley felt imprisoned by his physical body, Nelson Mandela was locked up in an 8x8 prison cell for 27 years on Robben Island. During his time as a political prisoner, Mandela kept a handwritten copy of the poem, "Invictus," by his side. It reminded him that his warders could lock up his physical self, beat him with bayonets, and insult him, but he was still "master" of his fate and "captain of his soul".

"Invictus" helped Mandela to find his inner strength and self-control. First, the poem comforted him when he was subjected to extreme loneliness, physical hardship and humiliation in his prison on Robben Island. He could receive only one visitor a year, was forced to work at a limestone quarry, and was humiliated by having to wear shorts instead of full-length pants (the latter which were reserved for white prisoners only). The poem describes a "place of wrath and tears" which Mandela likened to his own tiny cell in a remote, maximum-security facility, which had a thin mattress and a bucket for a toilet. The protagonist in the poem does not wince or cry aloud even in the "fell clutch of circumstance." Mandela, too, stayed calm and strong, encouraging other inmates to get an education and negotiating with the warders for better living conditions.

Second, the poem encouraged Mandela to stay strong spiritually and emotionally. Mandela wrote in his autobiography, " . . . one day after years of imprisonment, physical and emotional abuse, and separation from my family, I realized that they could take everything from me except my mind and my heart. They could not take those things. Those things I still had control over. And I decided not to give them away" (Mandela, 2008, Forward, para. 2). This is very similar to the protagonist in the poem who thanks "whatever gods may be for my unconquerable soul."

Third, the poem helped prepare Mandela for his role as the calm, forgiving and insightful leader who ended apartheid and became South Africa's first black president. Mandela was inspired by the poem's protagonist whose head was "bloody, but unbowed" despite the physical torture. Mandela held true to his one goal – equality for all – and deployed flexible and adaptive strategies to achieve it. As Mandela said in his autobiography, ". . . the human body has an enormous capacity for adjusting to circumstance. I have found that one can bear the unbearable if one can keep one's spirits strong even when one's body is being tested. Strong convictions are the secret of surviving deprivation; your spirit can be full even when your stomach is empty" (Mandela, 2008, Part 8, Chapter 65, para. 32).

Fourth, the poem enabled Mandela to recognize that strong convictions that persisted over time could help him to be the "captain" of a ship leading his people to a better future no matter how many obstacles he encountered or how many enemies conspired against him. As Mandela wrote,

"There are times when a leader must move out ahead of the flock, go off in a new direction, confident that he is leading his people the right way" (Mandela, 2008, Part 10, Chapter 89, para. 12).

Fifth, the poem gave Mandela hope. It did not matter "how strait the gate." The gate to a better future was still open and it made no difference how narrow or twisted it was. If a leader has hope and exerts effort, he can push his way through. Nothing can stop him – not even cruel punishment from adversaries. The gate is a symbol. Once it is reached, freedom, equality and happiness can be achieved. The leader needs to be persistent and never give up.
Interestingly, Mandela's transformation from a passionate, hot-headed warrior before prison to a calm, disciplined and balanced statesman after prison was accompanied by a change in language, which as we are suggesting, is a prerequisite for a change in mindset. During an interview, Stengel (2010) asked Mandela to respond to criticism that his speeches after his release from prison were boring. He replied, "You know, I try not to be a rabble-rouser. The people want to see how you handle situations. They want things explained to them clearly and rationally. I have mellowed. I was very radical as a young man, fighting everybody, using high-flown language" (as quoted in Stengel, 2010, p. 51). Examples of such high-flown language appeared in the manifesto of the military wing of the African National Congress (ANC) of which Mandela was a co-founder:

> The time comes in the life of any nation when there remain only two choices - submit or fight. That time has now come to South Africa. We shall not submit and we have no choice but to hit back by all means in our power in defense of our people, our future, and our freedom (Mandela, 1964).

The Mandela of latter years learned that there were always more than two choices and sometimes it was useful to substitute the word "or" for "and." He understood why blacks were frustrated because of years of poor treatment and why whites were fearful of granting equal rights to a population, which had been previously oppressed; he valued the customs and traditions of tribalism and knew that South Africa had to embrace modernism (Stengel, 2010). Mandela also realized that good decision makers waited and considered all possible alternatives; they knew how important it was to develop "as complete a picture as possible before taking action" (Stengel, 2010, p. 53). Instead of knee-jerk reactions to isolated incidents occurring piecemeal over time, Mandela adopted a patient, forward looking, and holistic mindset to move his nation forward strategically. In fact, one of his favorite phrases was "in the long run" (Stengel, 2010, p. 173).

AN EXPLORATORY EMPIRICAL STUDY

Using a between-subjects design, we test our hypothesis that poetry can change the mindset of the reader from calculative, bottom line and shareholder focused to one that is holistic, encompassing "triple bottom line" thinking and placing greater emphasis on stakeholders. Specifically, we test whether exposure and analysis of a poem is sufficient to: (i) increase importance placed on non-monetary/economic and harder to quantify metrics such as social and environmental ones when considering measures of success for organizations (move from quantifiable measures of economic success to more inclusive measures for the triple bottom line); and, (ii) shift focus from the fundamental calculation in business – creating shareholder value – to

a more holistic and inclusive view that places greater importance on creation of stakeholder value (move from single-focus mindset to a holistic mindset).

Participants, Procedure and Methodology

MBA students enrolled in the Leadership and Organizational Behavior class in an East Coast institution of higher learning were participants in this study. Approximately 60% of them were male, over 80% of them were accounting majors and almost half of them had job offers with top-tier accounting firms upon graduation. They were asked to rate and rank the importance of twenty-seven metrics that were comprised of various economic (e.g., revenue and net profit), environmental (e.g., efficient use of water and energy), and social/humanistic (e.g., donations to charitable causes, % of board elected by employees) measures adopted from those proposed in the GRI and ISO 26000 at two different points in time. Participants were asked to rate the importance based on which metrics they thought would be vital for a large successful multinational corporation to measure and track. Participants rated the importance on a scale of 1 to 5 where 1 = not at all important and 7 = very important. They were also asked to rank the top four metrics from the full list of twenty-seven, where their ranking reflected the four metrics they felt would be most crucial for a large successful multinational corporation to measure. In addition, they ranked the importance of the ten main GRI reporting principles as "stakeholder inclusion," "materiality," "reliability" and "shareholder value creation" for large multinational organizations wishing to ensure success. Finally, we asked participants to rank what they thought a large successful multinational corporation should prioritize first: shareholders or stakeholders.

Participants completed the questionnaire for the first time at the end of the fifth week of a sixteen-week semester. This provided the initial or pre-test ratings and rankings. Participants completed the *identical* questionnaire again at the start of the seventh week of the semester. This provided the final or post-test ratings and rankings. During the interim week, the intervention was carried out, which consisted of having the class read and discuss William Henley's poem, "Invictus," which, as mentioned in the section above, was used extensively by Nelson Mandela as a source of inspiration.

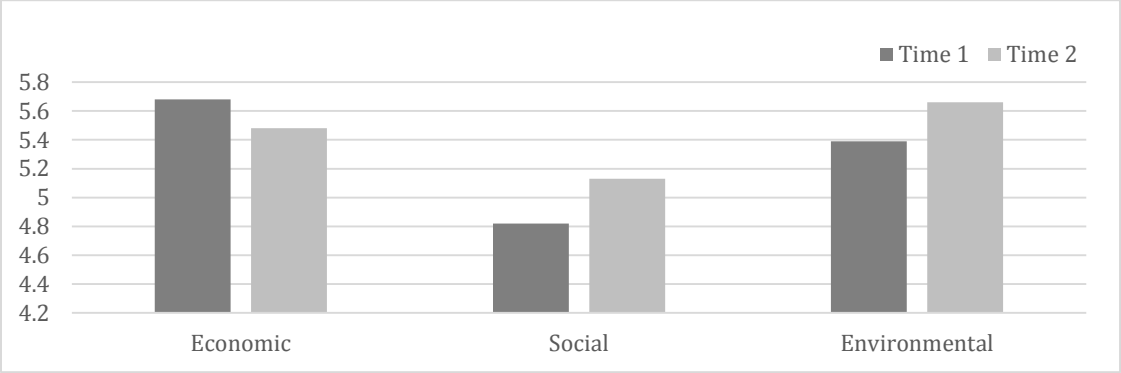
Results & Discussion of Empirical Evidence

As a starting point for our analysis, we averaged the importance rating assigned to each metric by category of the metric to obtain average importance ratings for economic metrics, and environmental and social metrics (non-economic and non-monetary). We also categorized the top four metrics by category to calculate the percentage of top four metrics that was economic, environmental and social. Finally, we averaged the importance rating assigned to each GRI principle by category of the principle to obtain two average importance ratings – one each for shareholders and stakeholders. These calculations were carried out for both pre-test and post-test data.

In order to test our hypothesis that exposure to a language-changing intervention (e.g., reading and understanding poems like Invictus) would decrease the single minded focus on profit and result in a greater focus on the triple bottom line, we conducted a paired sample t-test comparing the average importance ratings assigned to economic metrics, social and environmental metrics

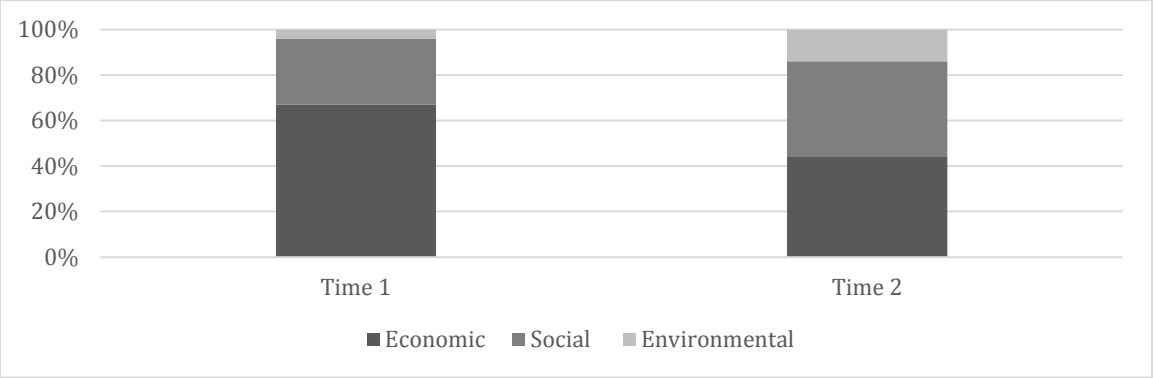
obtained at time 1 (pre-test) with those obtained at time 2 (post-test). As shown in Figure 1, the average value assigned to social metrics increases significantly (t=2.22, p=.035) between time 1 (M=5.39, SD=0.77) and time 2 (M=5.66, SD=0.73). Though the average importance assigned to economic metrics appears to decrease between time 1 (M=5.68, SD=0.65) and time 2 (M=5.48, SD=0.59), a trend in the predicted direction, this result is not statistically significant (p=0.11). The change in average importance ratings for environmental metrics between time 1 (M=4.82, SD=0.78) and time 2 (M=5.13, SD=0.78) is marginally significant (t=2.01, p=.054), again a trend in the predicted direction. Thus, we see greater importance placed on all three aspects of the triple bottom line – preliminary evidence that participants move from a single profit focus to a more holistic view of corporate success that encompasses social and environmental metrics in addition to economic metrics.

Figure 1: Average Importance Ratings by Metric Category



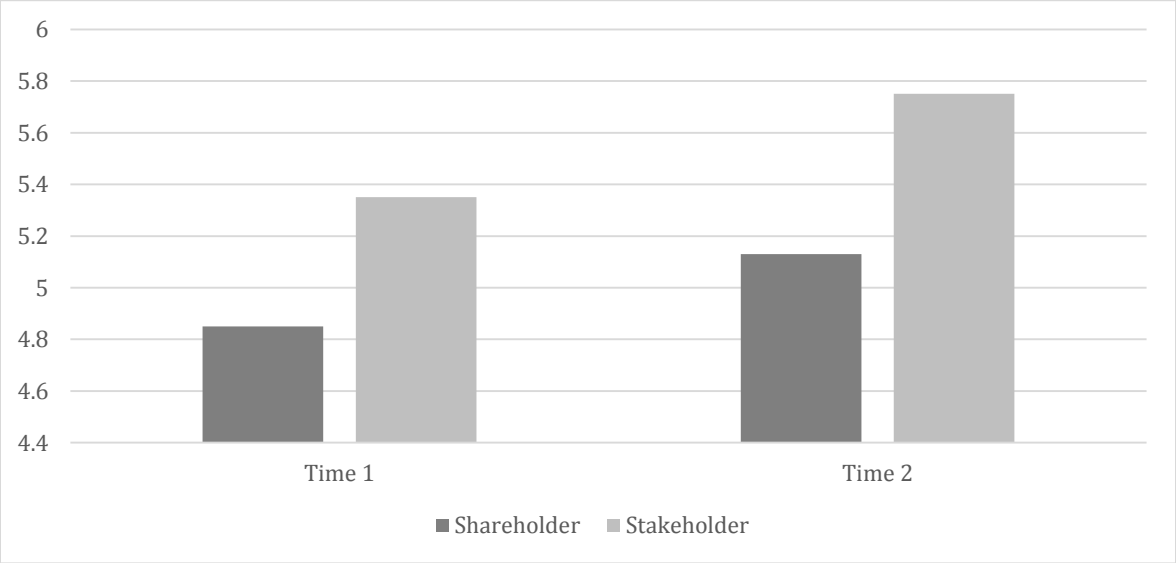
Increased importance ratings for both economic and non-economic metrics suggest a more holistic view, but business decisions frequently require tradeoffs between priorities and goals as it is difficult to achieve all of them. In order to better understand whether the increase in importance of non-economic goals was cheap talk, or an actual change in priorities, we also examined participant ranking of the top four of the twenty-seven metrics as the most important four metrics for an organization that wished to be successful. At time 1, over 90% of the participants chose an economic metric as their first choice, while at time 2 the first choice was overwhelmingly social and the second choice was now predominantly economic. We examined the percentage of metrics among the top 4 that were economic vs. social vs. environmental at time 1 and compared them with the percentage of metrics by category at time 2. As shown in Figure 2, 67% of the top 4 metrics were monetary or economic, 29% were social and only 4% were environmental at time 1. The pattern looks quite different at time 2: 44% of the metrics are now economic (a significant decrease; t=4.15, p<.001), 42% are social (a significant increase; t=2.30, p=.029) and 14% are environmental (a not statistically significant increase; p=.26). Clearly, our participants understand that economic metrics are important as measures of success for an organization, but they are willing to take a more holistic focus and nuanced view of success by focusing on social and environmental metrics at least as much, if not more than on economic metrics, at time 2.

Figure 2: Percentage Of Top 4 Choices by Category



Our third major finding concerns the relative importance of ten GRI reporting principles, which suggest that an organization should focus on stakeholders rather than just shareholders. Participants rated and ranked these statements. We averaged the statements about importance of stakeholders and those about shareholders separately to create stakeholder and shareholder importance ratings. As predicted and shown in Figure 3, the average importance rating for stakeholders increased significantly (t=2.68, p=.012) between time 1 (M=5.35, SD=0.64) and time 2 (M=5.75, SD=0.67), while the average importance assigned to shareholders between time 1 (M=4.85, SD=0.99) and time 2 (M=5.13, SD=0.91) did not show a statistically significant change (p=0.16). In further support of our hypothesis, importance assigned to stakeholders increases while that assigned to shareholders remains the same.

Figure 3: Average Importance Ratings By Category



Importance ratings however, can be cheap talk if they do not translate into priorities when tradeoffs need to be made in business decisions. To determine priorities, we compared the ranking assigned to shareholders vs. stakeholders at time 1 and time 2. 58% of our participants

rated shareholders should be the main priority for a large successful multinational corporation that wishes to remain successful at time 1, this percent declined to only 11% at time 2 – a statistically significant decline (t=4.99, p<.001). Thus prioritization of stakeholders over shareholders increased from 42% ranking stakeholders first at time 1 to 89% ranking them first at time 2 – a very significant increase (t=5.21, p<.001). We posit that taken together, our findings suggest that the analysis of the poem in class perhaps results in an increasingly more holistic perspective of the definition of success, which at time 2 includes social metrics and a much stronger focus on stakeholders.

LIMITATIONS AND CONCLUSIONS

The case analysis of Nelson Mandela's transformation from a young warrior to elder statesman and empirical study with MBAs both suggest that exposure to a broader language that is not based on games and warfare – such as that provided by the arts in general and poetry in particular, can indeed nudge professionals away from a calculative "winning" focus to a more inclusive holistic focus. In our study participants show a greater consideration of the non-economic – both social and environmental – aspects of the triple bottom line. Although, it is not necessarily accompanied by a decline in the importance assigned to economic metrics and the principle shareholder value-creation. We posit that the latter may occur due to our participants' strong familiarity with accounting metrics, which are usually monetary in nature, as well as the fact that in a business context economic metrics are, and will likely to continue to be, one among many important measures of success. Businesses have traditionally existed to pursue shareholder wealth creation, wherein the decision-makers, using the current frames afforded by games and war, consider each choice, decision or action as either resulting in a "win" or a "loss". A win enhances shareholder wealth while a loss reduces it. Given the strong human tendency for loss aversion (Kahneman & Tversky, 1979) and that losses always loom larger than gains, it is quite logical then that businesses wish to win at all costs. The resulting calculative mind-set however, has been shown to lead to less ethical actions, reduced concerns with consequences of one's decision for others, and greater likelihood of cheating to ensure a win (Wang, Zhong, & Murnighan, 2014). The current language of business (whether thought of as accounting, war, or games) frames decisions as wins, and encourages being "analytical" by focusing only on measurable outcomes, perpetuating the short-term unsustainable focus on shareholder wealth creation. We believe that it is time for business leaders to adopt a more holistic language of business -- one that has its roots in the arts and can broaden the perspectives of managers regarding their multiple roles in society.

The research described here has some limitations. The experimental study was time-bound with the post-test occurring just a week after the pre-test. It is therefore unclear if our results can be explained in terms of priming (with the poem being the stimulus which triggered an immediate response) or in terms of a real, permanent change in the priorities of our subjects. It is also unclear how long the impact will last. Rational economic theory is so embedded in our business culture that changing it will take some time as well as concerted effort. Additional post-tests are needed at various intervals -- e.g., one month after the intervention and six months after the intervention try to and answer these questions. The sample size in our experimental study was small and, therefore, results cannot be generalized to a larger population.

Leadership is not an art or a science – but both. We need both short-term and long-term thinking to propel our organizations to success: We need leaders capable and willing to take responsibility for short- and long-term success. And perhaps, akin to Peter Senge's systems thinking, we need leaders who can comprehend the interrelationship among the parts in the whole and engage in holistic problem solving (Senge, 1990). As Senge (1990, p. 69) reminded us, "Complexity can easily undermine confidence and responsibility – as in the frequent refrain, 'It's all too complex for me,' or 'There's nothing I can do. It's the system.' System thinking is the antidote to this sense of helplessness that many feel as we enter the 'age of interdependence' . . . by seeing wholes we learn how to foster health," and by thinking at the level of the system, we take responsibility for the whole.

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Sustainability and Sustainable Development **Fits Conference Theme**

Sustainable Development through Identity Building

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Abstract: This research project proposes to apply Social Identity theory and Porter's Hypothesis in studying the success of the municipality of Curitiba, Brazil in creating a culture of commitment to sustainability practices among its residents. These theories are reviewed here, along with the social media strategies and innovations developed by Curitiba. We plan to gather survey data from university students and young adult residents in the city about their recycling practices, and their awareness and engagement with the city's social media campaigns. This study will potentially extend the application of social identity theory in the context of commitment to sustainability. It will also contribute to the debate about whether the constraints of sustainability necessarily impose a cost, or whether they can be exploited as an opportunity.

Keywords: Sustainability Strategies, Social Identity, Social Media, Green Cities

SUSTAINABILITY AND SMART CITIES

Sustainability has emerged as an important topic in management. It is virtually impossible – and unwise – for businesses today to neglect social and environmental issues; this pressure comes from three aspects of modern society: declining resources, radical transparency, and increasing expectations (Laszlo, 2011). This scenario of increased expectations for sustainable practices is the reality that many businesses face today in Western societies. In green cities there is an even greater demand for sustainability in business. Residents of green cities are surrounded by sustainability and businesses that fail to provide services and products that are up to par with the competition will likely result in strong social and even legal opposition.

There are several cities in the world that are considered green or sustainable; however, there is no consensus today on what criteria are necessary to meet that concept. Different organizations use different methodologies and indicators when assessing the sustainability of a region; some of the most common measurements are green protected areas, creative solutions to usual urban living problems (such as pollution, public transportation, urban growth, and access to healthcare) and protective environmental legislation requiring high standards for business practices.

One of these "green" cities is the municipality of Curitiba, in Southern Brazil – where it is known as the ecological capital of the country. The city gained international recognition by receiving the Global Sustainable City Award in 2010; the city was presented the award for showing "maturity in their understanding of sustainable city development – both regarding policy and implementation."

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Curitiba has a multidimensional approach focusing on the environment as well as social, intellectual, cultural and economic aspects.

I (the lead author) had the opportunity to attend university in Curitiba and spent several years of my life in the city. I experienced firsthand the benefits of living in a green city and this experience deeply influenced the way I make sense of the world around me. Only after moving to other cities, did I recognize many of the daily aspects of life in Curitiba that I had taken for granted. Moreover, I realized many of the services being provided by other cities I lived in could be improved by thinking outside of the box and investing in sustainable practices and environmental regulation.

I also understood that being part of a community centered on sustainability has a lot of impact on our own identity, the way we bond with others and how we interact with the environment around us. It influences the way I see myself, other residents, and how we fit in the larger picture of our society. I realized that the expectations I – and others in Curitiba – had were different than those living in other urban centers.

This study will strive to reconcile the social and environmental aspects of living in a green city with current theories in order to examine the way they impact businesses. The goal is to explore the relationship between the social identity of a city and its residents' individual identities, focusing on social media strategies geared towards younger generations through the use of social media.

To conduct this analysis, we draw on two well researched theories: Porter's Hypothesis for the environmental aspect and Social Identity Theory for the social aspect.

LITERATURE REVIEW

Porter's Hypothesis

During the latter part of the 20th century, it was commonly believed that the relationship between corporate spending on reducing environmental impact and competitiveness was a trade-off. Investments in environmental sustainability were seen as a cost that should be avoided if companies wished to maximize their profits. This static model was challenged by Porter in the early 1990's, who disputed the idea that environmental investments should be seen as a compromise.

Porter based his arguments on the idea that stricter environmental regulations (ER) would cause businesses to increase investments in innovation and therefore gain competitive advantage over their competitors. This idea later came to be known as the Porter Hypothesis. Porter identified that, at the time, companies were not used to dealing with environmental regulations and saw them as constraints rather than an opportunity – or a free lunch as he compared – to improve their models and look for ways to make these constraints work in favor of the company.

By taking advantage of these regulations and seeing them as an opportunity companies would benefit in several different ways, including identifying inefficiencies in processes and products, better awareness of sustainable practices in their industries, pressure to innovate, and a leveled playing field across the industry. This inward focus would, according to Porter, motivate outward progress and success without compromising or sacrificing the environment.

Porter's ideas, naturally, received some opposition. Most notably from Palmer, Oates, & Portney (1995). The authors argued that Porter's idea was built on anecdotal evidence and case studies that represented the exception rather than the rule. Palmer et al interviewed some of the same companies exemplified by Porter to determine that their gains by compliance to stricter environmental regulations were not superior to the costs of abiding to them in the long run. Later, Palmer and Jaffe (1997) noted that the Porter Hypothesis accepts three different interpretations: a narrow, a strong, and a weak version. The authors found some empirical support to the weak version of Porter's Hypothesis, stating that "environmental regulation will stimulate certain types of innovation."

Over the years, more studies expanded on the Porter Hypothesis and generated further empirical evidence that corroborated Porter's initial ideas from the early 90's. Other studies, however, did not find convincing evidence that ER would increase innovation and lead to a company's success – especially for the "strong" version of the hypothesis. These seemingly contradictory results lead to much discussion on whether the Porter Hypothesis could be used to justify strict ER.

Inigo et al (2016) wished to understand contemporary issues in sustainability innovation, the authors developed a comprehensive framework with several different categorizations of innovation; they concluded that the nature of sustainability innovation is dynamic and context-dependant, thus creating the necessity for studies with "complex pattern of interactions." The authors' ideas regarding context dependency are not new; in 2001, Ambec et al (2013) had already concluded that a variety of aspect play a role in the effectiveness of innovation, "Although we have learned a lot, findings are often very context specific" (Ambec, 2013).

It is with this multidisciplinary approach that this study wishes to explore how the elements of the Porter Hypothesis affect the development of environmental legislation in urban centres considered green and sustainable. This is a worthwhile analysis because these municipalities could offer insights on best practices and their creative solutions to problems faced by other cities in the world.

Social Identity Theory

The study of Social Identity as a theory stems from the research of Henry Tajfel, who studied the effects of intergroup behaviour, belonging, and sense of identity. Tajfel's most famous experiment involved dividing young boys into two groups: those who liked the works of Klee and the ones who preferred Kandinsky (Tajfel, 1982).

It is important to clarify that these two artists are independent from each other and their legacies hold no commonalities other than their contemporaneity; also, modern art is a subject that is of little interest to middle school boys and does not evoke any sense of belonging or emotion to them. According to Tajfel, these artificial groupings – or minimal groups as the author refers to them - are important because they do not carry any meaning to its members.

Once the boys had stated their preference, they were individually asked to distribute financial rewards amongst their own group members and those who preferred the other artist. Each choice for reward had two components: one amount for an anonymous member of their own group and a one for a member of the other group. Both components needed to be chosen together.

His findings specified three possible behaviours from the boys: Fairness, Maximum ingroup profit, and Maximum joint profit. The first two behaviours were the most recurrent and most relevant ones to the theory. "Fairness" would require the boys to choose the same amount of reward for both groups and "Maximum Ingroup Profit" is the behaviour in which the boys choose to allocate rewards in a way to maximize the difference between the groups in favour of their own. The latter behaviour was the most common (Tajfel, 1982).

This study was key in the development of the Social Identity Theory. Tajfel argues that once the boys were divided in their minimal groups, they would, in theory, not have any reason to favour their own group since the experiment was not based in competition. In fact, the "Maximum ingroup profit" strategy cuts part of the total rewards the boys could potentially earn for their entire group. The boys, however, would rather receive less money in order to ensure their group controlled the most resources. This initial study was conducted by Tajfel to give a potential explanation to racist feelings surfacing in Europe at the time.

Later, Tajfel and his co-author Turner introduced other concepts and expanded on the theory. One of the main additions was the idea that once the groups were established, members of a group tended to underestimate differences between individuals of the same group while overestimating differences between themselves and members of the other group. They would also overestimate ingroup similarities and underestimate them with members of the outgroup.

It is this idea that encourages Tuner to expand the theory to include the notion of Self-Categorization (Turner, 1987). Turner explains that people look for differences and similarities between each other based on stimuli. These stimuli will, then, provide grounds for comparison. People will look for stimuli and differences, and as long as these differences are within a certain ratio, people will group together; if people's differences are beyond a certain threshold, they will be seen as "others" (Leonardelli & Toh, 2015). It is through this process that people form categories. Some authors argue that Social Identity and Self-Categorization focus on different things and have enough weight on their own to be considered two separate theories. Hornsey (2008), however, believes the two ideas are similar enough to be considered together under the "Social Identity Perspective" umbrella. Hornsey considers the main difference between these ideas to be that "rather than seeing interpersonal and intergroup dynamics as opposite ends of a bipolar spectrum, the proponents of SCT (Self-Categorization Theory) characterized identity as operating at different levels of inclusiveness" (Hornsey, 2008).

Social Identity and Sustainability

We are all members of multiple social groups and these various memberships help form our identity. We tend to, however, identify with some memberships more strongly than with others. Forsyth et al. identified that people tend to be more willing to engage is sustainable behaviours when they have a higher localized sense of community. The authors noticed that, when probed with reminders about their places of residence, people with a high sense of place identity were more likely to report engaging in sustainable behaviours (Forsyth et al, 2015).

Uzzell et al (2002) compared two neighbourhoods of the same British town and concluded that a strong place identification does not necessarily lead to more sustainable behaviours. Out of the two neighbourhoods analyzed, the one with the lower level place indeity had, in fact, a higher level of

environmental attitudes and more support of sustainable behaviours; while the other neighbourhood had higher levels of social cohesion and resident satisfaction. Their conclusion is that "sustainability cannot be considered in isolation from either its social or its environmental- or place-related context" (Uzzell et al., 2002).

Later, Poll et al (2002) would look at this seemingly contradictory result and explain that the negative correlation between social identity and pro-environmental interests could, in fact, be logical. The authors argue that this could be explained by the predominance of the individual indentity (individualism). This means that people's high level of individuality is what makes them bond with each other, it becomes one of the central pillars of their neighbourhood. It is worth pointing out that the neighbourhood with higher level of local identity also had a higher average income; this situation could be compared to North American suburbs: places with high level of cohesion but not known for sustainable living.

There are, also, disagreements in whether the engagement in sustainable practices is higher in community - local neighbourhoods within a city – or in larger, city-wide, identities. Hidalgo and Hernandez conducted empirical research in the subject and concluded that attachment to the city is greater than the one to a specific neighbourhood (Hidalgo & Hernandez, 2001). This is important to consider in the research of green and sustainable cities; and especially in the case of Curitiba since the discourse of the city does not usually makes distinctions between neighborhoods.

Another distinction could be made considering the socioeconomic level of the places. Pol et al note that in low socioeconomic levels, sustainability is linked to "the collective search for urban improvements" and social cohesion is based on "common history of participation, association, and social action seeking improvements in the neighbourhood" (Pol et al, 2002). This means that culture and history are more of an indication of sustainable practices than other urban, physical, or social characteristics.

When analyzed together, these studies create a bigger picture that seems to point to in different directions. They are, however, similarities between these studies and each contributes to a piece of the puzzle that helps us understand how to create a society that values sustainability. Some of these similarities are brought together by Pol et al (2002) in their city-identity-sustainability network; the authors believe that sustainability can be reached, in general, by a society with very high social identity, low levels of individual strategies, diversity, cooperation, and solidarity.

The authors also argue that information alone is not enough; residents should receive, instead, suggestions of actions and realistic steps are desired. Cities are complex networks and respond in different ways depending on their particular socioeconomic level, culture, history, and other urban aspects. The best strategy for local governments to encourage sustainable behaviour, however, is to build a strong and cohesive social identity.

Government and Social Media Use

Researchers have studied the interaction between residents of a community and their respective local governments; while the majority of the studies show that citizens are willing to interact with local management, there is little indication of how that interaction should take place. There are no clear standard practices or strategies that should be taken in order to maximize the possibility of positive interactions.

Studies, generally, also point that posts made by local government and governmental agencies (police and fire departments, transit, and other branches) often portray messages with distinct tones; these tones are dependent on the message that is being sent: general notices, fire bans, disaster relief, or other instances. One aspect that researchers seem to agree upon is the necessity of going viral. Viral posts tend to evoke emotion, get a reaction out of people, and be shared and seen by many social media users.

Most studies focus on whether or not there is engagement between local governments and the general population, how this engagement happens is often overlooked. Kietzman et al (2011) have identified seven blocks that local governments should pay attention when creating an online presence, these blocks make up a honeycomb model where the authors argue that different aspects of social media management make up and unpack a different fact of the social media experience.

The two blocks of importance for this study are "groups" and "identity", the latter focuses on individual residents and their personal information – and the extent to which they share that information. The former, the "groups" block, concerns how the individuals interact with one another and form communities and sub-communities. This idea of groups is especially important when analysing the social media strategy used by Curitiba; Kietzman et al (2011) also have indicated that social identity theory could provide a useful framework to analyze group behaviour and social media strategy.

Mergel (2010) also developed a typology for government social media platforms. The author categorizes social media posts as "push", "pull", or "network". Push is when governments are concerned with sending information to the general population, pull happens when governments solicit information and feedback from residents, and network creates interaction on its highest form (between citizens themselves and the government).

These typologies certainly have their merit; however, as government social media strategies evolve, more detailed analysis needs to take place. Curitiba's social media presence is a great example of going beyond networking and possibly overlapping individual and social identities. The city has created a unique strategy that not only informs its residents about several events and services provided by the city but also creates community and entertains residents.

RESEARCH QUESTION

Over several decades, the city of Curitiba has opened its doors to welcome people from many parts of the country and the world. Despite this diversity of its residents, the identity of the city is deeply rooted in environmental and social responsibility. This study plans to assess the role of social media strategies in shaping the city's desired social identity by influencing the individual identity of its residents.

The focus on social media comes from the city's unorthodox strategy in using these platforms. The city management choses to entertain as well as inform residents, often using memes and alluding to popular culture, movies, television shows, video games and music to convey their messages. Acting as the official discourse of the city on social media, their Facebook page goes against the grain and presents itself in an unconventional way; with colourful and funny posts, their discourse threads the

line between official and playful, it encourages social participation, and informs residents about city issues. More importantly, it represents a different discourse for sustainability.

The research question for this study is:

How has the city been able to use social media to build a cohesive social identity about environmental responsibility given the growing diversity of its population?

The focus of this research will be on the university students and young adults living in Curitiba, since this group has been widely exposed to the city's social media strategy. We anticipate using online surveys of university students and young adults to gather data, and plan to use follow up interviews with available participants to explore the survey data in more depth. The survey will ask such questions as:

How engaged are you with social media developed by the city of Curitiba?

Do you participate in hashtag campaigns run by the city focusing on environmental sustainability practices?

How important are sustainability practices to you personally?

In asking these questions, our aim is to determine if there is a strong relationship between individual engagement with the city's social media campaigns and individual social identification with environmental sustainability practices. We will also gather information about length of residence in the city, and whether people participated in the city's social media campaigns while they were growing up.

CONCLUSION

As business organizations and municipalities strive to reduce consumption of limited resources, to reduce waste, and to improve efficiency of their operations, there are many questions about how to increase commitment and participation among stakeholders, be they employees, residents, customers, or suppliers. The city of Curitiba, Brazil has developed unusual and effective strategies for achieving widespread participation in environmentally responsible practices among its residents. It has also utilized strong environmental regulations to demand that businesses conform to high standards. The study which we are embarking on, will assess the influence and role of the city's social media strategy in communicating expectations and supporting high levels of engagement and participation by individuals and organizations.

This study plans to extend the application and examination of both Porter's Hypothesis and Social Identity Theory. Curitiba, Brazil is a good municipality to be analyzed with the Porter Hypothesis because by designing its own strict environmental regulations the city differentiates itself from other Brazilian capitals. Last year, Curitiba ranked 6th (out of 27) in a study that analyzed the best capitals to open a business in. The city received its three highest scores in the "access to investments", "infrastructure", and "innovation" categories (Exame Magazine, 2015). This last category in particular is of great importance to the Porter Hypothesis. This study should contribute to assessing

the Porter Hypothesis by offering the context of a smart and sustainable city that focuses on innovation.

Also, the city's reputation of being environmentally responsible and its unique social media strategy could offer a great analysis on the building of a city-wide social identity and how this identity influences individual citizens and their actions. The field of environmental social identity has shown interesting empirical results, the identity built by Curitiba – initially – shows promise for its action focused recommendations of desired behaviours on their social media campaigns.

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Sustainability and Sustainable Development

Process of Identification Between Member Companies and Corporate Responsibility Coalitions

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Abstract: This conceptual paper maps the process of identification between Corporate Responsibility Coalitions (CRCs) and their member companies. CRCs are business-led, membership-based groups created to advance sustainable business practices. We draw from social identity theory and the group identity literature to develop a theoretical model of identification between CRCs and member companies. We propose that membership in CRCs can reduce uncertainty about the implementation of sustainability practices as well as increase competitive advantage for organizations. The theoretical model developed in this article shows a four-stage process of identification between member companies and CRCs that includes: (1) membership, (2) socialization, (3) identification, and (4) changes in behavior. This study contributes to advancement of knowledge on the impact of CRCs as well as the literature on organizational identity and group identification by studying this process among groups of organizations.

Keywords: Corporate Responsibility Coalitions, Social Identity Theory, Business Social Movements, Identification

INTRODUCTION

Although sustainability is a popular buzzword in today's business environment, all too often organizations struggle to implement sustainable practices into organizational operations. One of the biggest barriers preventing further business action regarding sustainability is the limited understanding that business leaders have of the concept (Downey & Slocum, 1975). In fact, research shows that most managers and leaders in organizations do not understand what sustainability can mean to a company or what benefits can be associated with sustainability initiatives. This lack of knowledge discourages decision-making and action in this area (Berns et al., 2009). As such, the implementation and institutionalization of a sustainability agenda within firms often is fraught with obstacles and uncertainty (Berns et al., 2009; Carroll, 1979; Wood, 1991).

The struggles that can accompany the implementation of sustainability policies and procedures are amplified when firms want to incorporate sustainability as part of their daily organizational activities, values, and identity. That is, when organizations want to build their brand, reputation, or mission using a foundation of responsible values, they often need guidance to overcome the obstacles

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encountered in the implementation of sustainability practices and an organizational identity developed around responsible values. In the current manuscript, we discuss the role that Corporate Responsibility Coalitions (CRCs) can have in aiding organizations implement and develop sustainable business practices. The business community developed (CRCs) in response to the challenges that organizations often encountered when implementing sustainability efforts. To elaborate, in the past few decades, business organizations have organized and established these independent organizations to advance responsible business practices (Grayson & Nelson, 2013). Essentially, CRCs are comprised of for-profit businesses but they vary greatly in scope and membership characteristics. Thus far, the limited research examining the effectiveness of CRCs suggests that these groups can have a significant positive impact on the advancement of responsible business practices (Grayson & Nelson, 2013). However, in part because the extant literature on CRCs is so limited, we know little of their true influence on the sustainability agenda of organizations. As such, CRCs represent a resource for dynamic organizational change, though researchers and practitioners have yet to uncover how they can be utilized to maximize effectiveness for organizations. To address this gap in the literature, we develop a theoretical model that investigates the identification process between member companies and CRCs to explain how companies' responsible practices might change as a result of the relationship they have with CRCs.

The remainder of the manuscript is organized as follows. First, we present a brief review of the extant literature on CRCs. We then present a theoretical model that describes the process of identification between CRCs and the companies that are members of these groups. We use social identity theory (Tajfel & Turner, 1979; Turner, 1985) and the identification literature to explain this identification process between member companies and the CRCs. This study contributes to the literature in at least two distinct ways. First, sustainability is a topic that is becoming increasingly important in business. As such, by developing the research on a topic within the sustainability literature that has mostly been neglected (the effectiveness of CRCs), we extend research and contribute to a growing area of the organizational literature. To our knowledge, the effectiveness of CRCs has never been examined in the corporate responsibility (CR) literature as it relates to the organizational identity of businesses. Second, we examine the effectiveness of CRCs and, in doing so, we provide insight to organizations as to the benefits associated with sustainability initiatives.

CORPORATE RESPONSIBILITY COALITIONS: A REVIEW OF THE LITERATURE

Business firms have a history of organizing into groups for various reasons (e.g., establishing strategic partnerships that address common goals). Since the late 1970s, when social and environmental issues started to gain momentum in business firms' agendas, groups of business organizations were created to address such issues. Initially, CRCs approached corporate responsibility from a social activist perspective, with the goal of addressing socio-political and environmental issues in specific countries (e.g., the Philippines, South Africa, and the United Kingdom; Grayson & Nelson, 2013). Throughout the years, these groups changed their focus to raising awareness of the business case for sustainability and corporate responsibility as well as providing general assistant to companies on how to implement these practices (Grayson & Nelson, 2013). More recently, many of these groups are developing guidelines and activities that are specific to certain industries or issues (e.g. child labor or responsible supply chain management; Grayson & Nelson, 2013).

Today, it is estimated that approximately 110 CRCs exist globally, though these coalitions vary greatly in size and scope. Thirty of these coalitions are regarded as influential and well-established organizations (Grayson & Nelson, 2013). In general, they may play a number of roles, including: raising awareness and making the "business case" for sustainability; identifying and disseminating best practices; advising and building the capacity of companies; brokering partnerships; delivering on-the-ground programs; setting standards or spreading norms; and promoting a public agenda (Grayson & Nelson, 2013). In the current manuscript, we do not renew the existing debates on the similarities and differences between the concepts of CR and sustainability (see for example Montiel, 2008). Instead, we use CR and sustainability interchangeably and define them as the responsibility of businesses to address the social, environmental, and economic impact of their operations. Moreover, in this study, we adopt Grayson & Nelson's (2013: 20) definition of CRCs:

> *Independent, non-profit membership organizations that are composed mainly or exclusively of for-profit businesses; that have a board of directors composed predominantly or only of business people; that are core-funded primarily or totally from business; and whose dedicated purpose is to promote responsible business practices.*

CRCs may vary greatly in their approaches to sustainability and CR. In general, they can target different geographic scopes and managerial levels within member organizations, and develop different strategic focuses of promoted practices and topics. In terms of geographic scope, CRCs may chose to act at the national or international levels. Organizations such as Instituto Ethos in Brazil and the Council for Better Corporate Citizenship in Japan focus their activities at the national level, while larger organizations such as the World Business Council for Sustainable Development (WBCSD) and Business for Social Responsibility (BSR) have international presences (Grayson & Nelson, 2013). The targeted level of corporate involvement of these coalitions also varies. Some of the groups focus on leaders' (e.g., CEO, board of director) involvement in the activities of the group and others emphasize manager involvement in corporate responsibility activities (Grayson & Nelson, 2013). In addition, CRCs may choose to adopt different strategic focuses, including the promotion of activities that embed corporate responsibility practices in business operations, supply chain management issues, environmental concerns, workplace practices, community engagement, responsible marketing, or philanthropy (Grayson & Nelson, 2013). Finally, some coalitions decided to specialize in specific industry sectors, such as extractive industries, healthcare, media and entertainment, or travel and tourism (Grayson & Nelson, 2013).

THE PRESENT STUDY: THE EFFECTIVENESS OF CRCS

There are no clearly developed guidelines to assess the business impact that CRCs have on improving responsible business behavior. This is partly due to the diversity of CRCs formats and approaches, as well as the relatively newness of this movement. In this article, we argue that the nature of the identification process between member companies and CRCs may have a great explanatory role on the level of influence of CRCs on the responsible behavior of member companies. The next two sections provide a brief overview of the literature on social identity theory and processes of identification that may helps us explain this relationship.

Social Identity Theory

We draw on social identity theory (SIT; Tajfel & Turner, 1979; Turner, 1985) to explain why membership in a CRC should relate to various organizational outcomes. Though this theory is typically applied at the individual level in the organizational literature, in this article, we extend extant literature in this area by extending social identity to the organizational level. Specifically, according to SIT, our sense of self is made up of personal and social identities that form based on our identification with groups in society (Ashforth & Mael 1989; Tajfel & Turner 1985). Therefore, based on Tajfel's (1974) definition of individuals' social identity, we define social identity of organizations as part of an organization's self-concept that derives from its knowledge of its membership to a social group. In the current study, we consider the development of organizations' social identity as sustainable organizations and examine the strength of these identities as organizations develop their relationship with a CRC.

SIT states that, based on identities, people sort themselves and others into social groups to reduce uncertainty and to differentiate their own groups from other groups (Tajfel & Turner, 1985). By joining a CRC, organizations gain status in a social group that distinguishes them as sustainable organizations, perhaps to the extent of providing a competitive advantage, from other companies. Further, at the individual level, research suggests that the extent to which one identifies with a particular social group membership can influence perceptions and behavior (Kramer, 1993; Shamir, 1990), such as performance (e.g., Abrams, 1994; Cheryan & Bodenhausen, 2000; Hinkle & Brown, 1990; Hogg, 1992; McGlone, 2006; Shih, Pittinsky, & Ambady, 1999). We extend this notion to the organizational level and suggest that membership in this social group (i.e., a CRC) will relate to an organizations' behavior and decisions to improve its responsible behavior.

Process of Identification

When organizations identify themselves as belonging to a CRC, this suggests they have identified themselves as a sustainable organization to some extent. The extent that the company identifies with the CRC will affect (a) the beliefs, attitudes, and behavior of organizational leaders and (b) the policies and procedures within the organization. Thus, the more that an organization identifies with a CRC, the more engaged it would be with the coalition's activities. As firms' memberships in a CRC strengthens, their identities as sustainable organizations are fortified, as well. In addition, as identification between the organization and the CRC develops, firms gain new knowledge and skills about sustainability, which helps them develop strategies aimed at reducing uncertainty related sustainability efforts (Peteraf & Shanley, 1997). In fact, one of the main goals of collectives, such as CRCs, is to develop collective strategies created through their group activities that aid organizations in their "search for predictability and stability, an attempt to control the environment, and an attempt to negotiate order among organizations" (Dollinger, 1990: 268). Therefore, as the identification between an organization and a CRC grows, the organization should be increasingly effective in adapting sustainability policies and procedures that leverages the company's sustainability goals.

Why Study Identification of Member Companies with CRCs?

Participation in social groups shapes individuals' identities and behaviors (Tajfel & Turner, 1985; Kramer, 1993) and, as social groups, CRCs were formed to investigate and promote sustainable business practices (Grayson & Nelson, 2013). With such goals comes an implicit assumption that participation in these groups will help companies increase their understanding of sustainability and, therefore, improve sustainable practices in their own operations. However, how does the transfer of values, knowledge, and perhaps even identity elements between CRCs and member companies happen? This paper initiates this conversation by proposing that this diffusion of sustainable values and practices happens through a process of identification between member companies and CRCs. Our arguments are based on the core tenets of SIT and social categorization theory (SCT).

Process of Identification between Member Companies and CRCs

Based on this literature, we propose a four-stage model of identification between member companies and CRCs. These stages are: (1) membership, (2) socialization, (3) identification, and (4) changes in behavior. Next, we discuss each of these four stages.

<u>The Identification Process: Stage 1 - Membership</u>

The first stage of our identification model discusses why and how organizations become members of CRCs. When organizations are considering membership in a CRC it is often because they recognize that sustainability has become a necessity for them. Yet, many firms are not able, or do not desire, to invest the resources required to develop the skills necessary to develop sustainability initiatives internally. Indeed, sustainability issues are often so complex that they often require firms to use a combination of pragmatic and paradoxical approaches in order to manage them (Hahn et al., 2014) and individual firms are often not equipped to handle these demands on their own. Instead of managing these initiatives internally, organizations can become a member in a CRC. To elaborate, CRCs were created to investigate and promote sustainable business practices (Grayson & Nelson, 2013), thus providing member companies the opportunity to outsource the scanning, sorting, and interpretation of sustainability issues to these coalitions (Vidal Van Buren, & Berman, forthcoming).

Alternatively, it may also be the case that a firm decides to join a CRC purely for legitimacy purposes (see Vidal et al., forthcoming for an extensive discussion of the reasons that organizations come together to address business sustainability issues by forming CRCs). Theoretically, SCT extends the arguments put forth in SIT to explain why organizations join CRCs. SCT argues that belonging to a social category provides elements of self-definition (or identity) derived from the category (Hogg & Terry, 2012). Business sustainability can be viewed as a social category for firms. Instead of simply claiming to be a sustainable organization, firms need to authentically demonstrate their commitment to sustainability by minimizing their negative impacts on society and the natural environment. Only through engaging in these genuine acts will organizations be considered a sustainable business and categorized by others as such. Essentially, joining CRCs help firms further define their social identities by separating them from outgroup members (i.e. non-sustainable firms) and enhancing their image (Hogg & Terry, 2012).

Though the decision to join a group may depend on a number of different factors (see Vidal et al., forthcoming), when a firm recognizes the need to join a CRC, it initiates the search for a group that can meet its needs (Moreland et al., 2012). Tyler (2012) argues that the main function of groups is to provide individuals with a social identity that allows them to use central group attributes to define themselves and develop favorable characteristics derived from the status of the group. Gaining membership into a CRC group can reduce uncertainty within the social world and provide its organizational members with more confidence on how to behave and what to expect from its social environment (Hogg and Terry, 2012). In the case of CRCs, individual firms may decide to join a CRC that can help them build necessary skills to address sustainability issues, construct social identity attributes related to sustainability, and/or increase their legitimacy on sustainability based on the group's legitimacy on this topic. However, each firm will choose a group based on their sustainability goals and the desired benefits they expect from gaining membership to a coalition. Therefore, we propose that:

> *Proposition 1*: Firms will join CRCs that can provide the desired benefits based on their own sustainability motivations.

The Identification Process: Stage 2 - Socialization

The second stage of our model discusses how organizations socialize within the CRC in an effort to build upon its membership in the CRC. After organizations choose to become members of CRC, their membership status is solidified as a result of a socialization process. This process starts when a new member of a group begins to socialize with other group members. Specifically, when firms join CRCs they send in representatives that participate in group activities and bring any acquired knowledge and skills back into the firm. When a new member company begins to socialize, it develops new relationships and acquires new knowledge about sustainability that affects their perception of the topic as well as themselves as sustainable practitioners. For example, individuals representing the firm in the group continuously use their strategic position to observe group activities and help their firm identify appropriate membership claiming behavior that are adequate for its desired socialization. Essentially, during socialization the organization is cementing its membership status, which derives from a balance between membership granting behaviors by the group and membership claiming behaviors from new members. Common forms of membership claiming behavior include declaring membership, asking questions about the group, revealing that one is knowledgeable about adequate behavior for insiders, or equipping themselves with materials and symbolic resources that legitimate their insider status (Bartel & Dutton, 2012). Overall, this socialization process plays an important role in helping an organization construct its membership status in the group (Bartel & Dutton, 2012). Therefore, we propose that:

> *Proposition 2*: Firm representatives facilitate socialization between their firm and the CRC by guiding their firms through appropriate membership claiming behaviors.

Next, through the socialization process, the group can grant membership status to a new member using the same behaviors used by members for claiming membership. Groups may grant membership status by declaring that an individual organization is a member, using questions to ascertain knowledge of a new member about the group, and/or equipping new members with material (e.g. technology, technical skills), symbolic (e.g. social information), or political (e.g. power

and authority) resources (Bartel & Dutton, 2012). Similarly, CRCs may use all of these acts and behaviors to grant membership status to new members during the socialization period. Bartel and Dutton (2012: 124) propose that "membership ambiguity is attenuated and working consensus is achieved when a person's declarations match closely the content and value of another individual's claims of organizational membership." In addition, relationships between a group and its members involve negotiation and mutual fulfillment of goals. The group wants its members to help it achieve its goals, while members want the group to help them satisfy their needs (Bartel & Dutton, 2012). Firms have different motivations for joining CRCs and they can usually be distributed along a continuum ranging from legitimacy seeking to fully embracing the sustainability concept. Firms that join CRCs with the goal of fully embracing sustainability in their operations will most likely engage in membership claiming behaviors that align with the coalition's membership granting behavior. However, if firms join CRCs for legitimacy purposes, their membership claiming behaviors will likely be misaligned with the membership granting behaviors of their groups. In the long run, this misalignment may lead to loss of membership status.

> *Proposition 3a*: Alignment between the membership claiming behaviors of member firms and membership granting behaviors of CRCs leads to better socialization and, consequently, to higher levels of identification between firm and CRC.
> *Proposition 3b*: Misalignment between the membership claiming behaviors of member firms and membership granting behaviors of CRCs leads to weaker socialization and, consequently, to lower levels of identification between firm and CRC.

<u>The Identification Process: Stage 3 - Identification</u>

The third stage of our model discusses how organizations begin to identify, and be identified, as a member of a CRC. The socialization process discussed in Step 2, and ultimately an organization's membership status being solidified with the CRC, is dependent on the level of identification that the organization develops with the CRC. The relationship between socialization and identification is demonstrated by Bartel & Dutton (2012: 116), who argue that identification is not a "self-in-isolation" process, but rather a "self-in-relation" process. Identification provides a psychological link (or glue) that holds the organization or group together (Pratt, 2012; Wiesenfeld et al., 2000, c.f. Pratt, 2012) and an official membership acceptance does not, in itself, provide this link. According to Ashforth and Mael (1989), identification refers to a strong sense of belonging, which is accentuated by common interests and shared outcomes between the group and its members. Identification implies a psychological attachment to a specific group (Ashforth & Mael, 1989) and participation in social groups may shape the identity and behaviors of group members (Tajfel & Turner, 1985; Kramer, 1993). Therefore, identification between firms and CRCs occurs when member firms develop a psychological connection with the group and feel a sense of belonging. When firms are strongly identified with the group, they assimilate expected norms and behaviors of the group into their own identity and, consequently, their behavior.

The process of identification can begin when an organization finds an appropriate group and is officially accepted as a member of the group (Bartel & Dutton, 2012). A challenge in CRCs is that companies might declare membership to the group, but identify very little, or not at all, with the group. This may be especially true for new group members, since identification—a distinct feeling of belonging to the group—may take some time to develop. In reality, the attitudes of member

companies towards the coalitions they join vary a great deal. Firms can be very or moderately engaged with the group or they may participate occasionally in group activities, mostly existing at the periphery of the group. This variability in engagement reflects different levels of identification between member companies and coalitions, which leads to different levels of change in the behavior of these companies. Next, we explore these two stages of our model in more detail.

Different Levels of Identification. Identification with a group may be higher or lower depending on certain factors and conditions. According to Pratt (2012) identification with a group is greater when: (a) the target group is distinctive (Ashforth & Mael, 1989; Dutton et al., 1994; Mael & Ashforth, 1992); and (b) "outgroups" are salient (Ashforth & Mael, 1989; Mael & Ashforth, 1992). We apply similar principles towards identification between firms and CRCs. First, we argue that strength of identification depends on contextual factors such as the salience of outgroups and interorganizational competition between ingroup and outgroup organizations (Ashforth & Mael, 1989; Dutton et al., 1994; Mael & Ashforth, 1992; Pratt, 2012). Second, we maintain that the characteristics of the individual entering the group are also important determinants of how identification with the group develops. Although acknowledged as an important aspect of identification, discussion of the effect of individual characteristics on identification with a group seems less explored than other aspects of the identification process (Harquail, 1998). We pose that firms' characteristics are important in the identification between firms and CRCs. Firm characteristics such as their motivation for joining the CRC, expectations from membership, cognitive approach to sustainability, and willingness to make changes in their own organizations in order to address sustainability issues play an important role in how much a firm identifies with a CRC.

When analyzing the identification of member companies and CRCs, we propose that the level of stakeholder pressure for companies to engage in sustainable behavior (i.e., whether it is high or low) will show how salient outgroups are (Ashforth & Mael, 1989). In addition, how much stakeholders and the external environment in general distinguish between sustainable and non-sustainable companies likely play a role in the level of identification with CRCs. Distinction, in this case, is based on the rewards the external environment provides to sustainable firms, while punishing non-sustainable behavior. Therefore, in an environment where there is high stakeholder pressure for sustainable or responsible behavior and rewards for being responsible, we argue that there is a stronger likelihood that companies will identify more deeply with CRCs.

> *Proposition 4*: Firms identify more strongly with CRCs when there is high distinction between sustainable and unsustainable firms and high stakeholder pressure for responsible behavior in their external environments.

An additional consideration is the level of engagement that member organizations have with CRCs. Psychological engagement with a group is a necessary antecedent to behavioral engagement (Tyler, 2012). Discretionary behavior, such as choosing to join a group, is particularly dependent on psychological engagement due to their connection to personal attitudes and values (Tyler, 2012). Thus, we consider firm characteristics such as engagement that might affect the strength of their identification with CRCs as a continuum ranging from pragmatic to paradoxical cognitive approaches to sustainability (Hahn et al., 2014). A pragmatic firm would view membership to a CRC as a way to access resources and/or gain legitimacy (Tyler, 2012), while a paradoxical firm would

look at their membership to a CRC as a way to become more knowledgeable about the topic and becoming part of a group of sustainable firms. In short, paradoxical firms would truly be searching for social identity elements that they could gain from these groups. Therefore, we propose:

> *Proposition 5a*: Firms with a pragmatic approach to sustainability identify less with CRCs.
> *Proposition 5b*: Firms with a paradoxical approach to sustainability identify more with CRCs.

The Identification Process: Stage 4 - Changes in Behavior

The forth stage of our model considers how organizations begin to change their behavior as their identification as a member in the CRC develops. As discussed in Step 3, identification provides the psychological link that holds a group together (Pratt, 2012; Wisenfeld et al., 2000). Identification can affect organizations' behavior in many ways, including influencing organizational performance (Kramer, 1993; Shamir, 1990). More specifically, change in behavior during the identification process is connected to the concept of *deindividuation*, which can be described as a loss of self within a group of group consciousness. This concept refers to a form of depersonalization in which individuals shift from their personal to their social selves (Pratt, 2012; Reicher, Spears, and Postmes, 1995; Turner et al., 1987).

In addition, commitment plays an important role in the behavior of the individual to the group and vice-versa. When there is strong commitment on both parties, individuals and groups work to accept each others' goals, address each other's needs, and work hard to gain and maintain membership (Moreland et al., 2012). However, if the levels of commitment between the group and its members differs, it is likely that each party will monitor the behaviors of each other more closely and respond to any disagreements by changing their commitments to each other (Moreland et al., 2012). In general, most CRCs have procedures that allow them to terminate the membership of firms that do not abide to its membership requirements or that do not show appropriate commitment to the group in the form of improved sustainability behavior. On the other hand, CRCs increasingly answer to the needs of those members that show strong commitment to the group.

> *Proposition 6a*: Firms that are highly committed to their CRCs receive greater support from the coalition when pursuing their sustainability motivations.
> *Proposition 6b*: Firms that are less committed to their CRCs receive diminishing support from the coalition, with the possibility of being terminated from the group.

These notions may be extended to the identification process between firms and CRCs. In viewing firm characteristics in relation to sustainability as a continuum ranging from pragmatic to paradoxical, we can extrapolate their behavior to different levels of identification and behavior change. Pragmatic companies would have a more superficial link with the coalition. They would go through more pragmatic changes in behavior (i.e., changes in practices, but not in organizational values or culture), and they would be committed to the group as long as the resources offered by the group to them are considered useful. Paradoxical companies, on the other hand, would have stronger psychological links with their CRCs and go through more ingrained behavior changes, involving not only practices, but also changes in organizational culture, values, and identity (Tyler, 2012). In short, these firms would be more deeply committed to the group because they became committed to the "sustainability cause." Consequently, we propose the following:

Proposition 7a: Firms with a predominant pragmatic approach to sustainability will have lower levels of identification with CRCs and undergo more pragmatic changes in their sustainability behavior.
Proposition 7b: Firms with a predominant paradoxical approach to sustainability will have stronger identification with CRCs and undergo more ingrained behavior changes.

CONCLUSION

Our main objective in proposing this four-stage process of identification is to develop a theoretical process model that examines the relationship between member companies and CRCs. In this article, we theorize about the identification process and the effect of different levels of identification on the change in behavior of member firms. We draw from SIT, SCT (Tajfel & Turner, 1979; Turner, 1985), and the group identity literature to advance knowledge about the sustainability movement in general and the role of CRCs within that movement. The present study contributes to the literature on organizational identity and group identification by studying this process among groups of organizations. By investigating the identification process between organizations and CRCs, the present study provides a basis for important contributions to the literature in an area that has yet to receive adequate research attention.

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Teaching and Learning **Fits Conference Theme**

Business *in* Society at the Crossroad: What Road(s) Should We Take? Workshop Summary

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Abstract: This workshop reflected on the current state of the Business and Society field and explored viable future directions for research in its related disciplines. The premise was that the field has reached a crossroads in its development, in accordance with the conference theme. To move forward, academic stakeholders should reassess the field's identity and purpose to continue contributing meaningful work. The field could reframe itself as "Business *in* Society" to reflect the fact that organizations operate within a social and ecological context. The role of business in society can be thought of differently by examining the memes or core cultural artifacts that shape individuals' beliefs and relevant narratives about what is expected of business. Through the reframing of the field's institutional logics, recognizing and revisiting the normative roots of the field, as well, the questions that scholars ask can be revised to adapt to the modern world.

Keywords: Business in Society, Crossroad, Memes

> Two roads diverged in a wood, and I—
> I took the one less traveled by,
> And that has made all the difference.
>
> From *The Road Not Taken* by Robert Frost

The theme of the 2016 IABS conference was 'Business and Society at the Crossroad.' As we thought about this theme, we argued that the proper phrasing to define our field is business *in* society, *not* business and society, as suggested in the title of this workshop proposal. Businesses exist *in* and operate *in* the context of the broader society(ies) of which they are a part, and necessarily, in ecological contexts of which they are inherently a part. That understanding of the field also frames how we view the role(s) of businesses operating in the society, and, as Frost's poem 'The Road Less Traveled' suggests, has made all the difference for the field. Business *and* Society, as the field is mostly framed, puts the corporation, typically the large corporation, firmly in the center of our

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thinking. This framing leaves out important aspects of society and nature, not to mention businesses and other institutions that are not large corporations, that really, we believe, ought to matter more to business in society scholars. In other words, businesses are, as Polanyi (2001) might have argued, embedded within their contexts inextricably. That embeddedness both defines the potential of the business in society field and creates some limits around it.

In this workshop, we explicitly opened up the meaning of the 'crossroad' where the business in society field finds itself, and asked, "Is now the time to take the road less traveled" as Frost does. Is there a crisis or crossroad? If so, what is its nature and why has it arisen? What can and should be done about dealing with the crossroad? To these questions, we offered brief provocations from an internationally-respected group of scholars, an open set of questions and considerations, and, a process where we could gain insights and inputs from attendees. Through this conversation, we wish inform the future of our field, as well as the future of scholarly associations like IABS. We believe that by exploring the set of memes—or core cultural artifacts (Waddock, 2015) that shape our beliefs and thinking about the role(s) of business in society and the expectations that we have about businesses, and the institutional logics (e.g., the purpose of businesses as profitmaking entities geared to shareholder wealth versus, for example, sustainability, social justice, jobs), we can begin to rethink not only the role of business in society but also the types of questions that we, as scholars, need to be addressing.

A Bit of Context

Each of the three words 'business in [v. and] society' is meaningful in this questioning context. First, from either framing, the field clearly has something to do with the role(s) of businesses as they operate in their societal (and, necessarily, ecological) contexts. Second, the word society implies that businesses are interactive with and have impacts on (and are impacted by) the societies in which they operate, which implies an interactive relationship in a context of multiple stakeholders (Freeman, Wicks, Parmar & De Colle, 2010) and the complexity of wicked problems (Churchman, 1967; Rittel & Webber, 1973).

Looking at the word 'in' is informative. The term 'business *and* society' implies a degree of interaction among the two elements and, crucially, equal status for business and society. 'Business and society' suggests, then, that business interests need not be subordinate to those of the societies in which they operate, because they operate as a system with interacting (interpenetrating) elements (Preston & Post, 1975). Business or economic interests, in this phrasing, are on the same plane and as important as societal interests and as are the values that support businesses and societies. Since the dominant values associated with businesses today are associated with the neoclassical economic perspective—which argues for self-interest, free markets, monetization of values, and a growth mentality, pretty much above all else, acceptance of 'business and society' to define the field, with these values dominating seems problematic for anyone who believes that societal interests imply something more than self-interest. Indeed, the etymology of the word 'society' is from Old French, with connotations of community, companionship, friendly association, suggesting that people in societies are communally bound to one another in ways that go well beyond self-interest to the interest of the whole.

The phrase 'business *in* society' (BnS) suggests an entirely different relationship from 'and society'—a road less traveled, if you will, but ironically, where the field began. This relationship is one that is

premised on the observation that businesses are a (necessary?) product *of* societies, that is, part of the societies in which they exist. They are not separate and apart from societies, but embedded deeply within them—businesses, like other types of institutions distinct to different societies, are creatures of the societies where they form and operate. In that sense, they are subject to the norms, values, and rules that their society establishes; businesses are 'subordinate' to societies in the same way that human civilization is 'subordinate' to the natural environment. Businesses can't exist without societies to set the so-called rules of the game that make their work feasible, just as human civilization (though Western cultures do not always seem to recognize this reality) cannot exist without a set of ecological conditions that support organized life on the planet (c.f., Lovelock, 2007, 2010; Frederick, 2012). In addition, the rise of multinational or global corporations may shift the idea of embeddedness in ways that we do not fully understand. Large corporations help shape the norms, values, and rules of the societies in which they operate in a co-evolutionary way.

A ROAD LESS TRAVELED?

Why might the business in society field be at a crossroad? If we think of institutions like the Academy of Management (AOM), it is relatively easy to see that topics that were once sacrosanct business in society subjects are now pervasive throughout AOM. Stakeholders, ethics, sustainability, corporate (social) responsibility, spirituality, governance, collaboration, social entrepreneurship, responsibility, accountability, standards, authenticity, microfinance, gender, and ethical leadership are only some of the topics that are now spread throughout AOMs annual meeting program, not just within SIM. Similar dispersion of BnS topics can be found in numerous conferences around the world these days, some of which are directly related to the field of business in society, and some of which go well beyond the field's traditional domain.

Further, we as business in society scholars have fallen prey to what stakeholder theorist Ed Freeman often calls 'methodolotry,' the idolization of supposedly scientific methods to do our fundamentally social research. Add to this what we can only call 'A-journal mania,' citation mania, and impact factor mania that particularly hits scholars still striving for job permanence and status. The result: work that trivializes the important questions with which our field was (ostensibly) founded to study, and narrows them down to 'scientifically' acceptable and narrowly-defined questions with little import or real impact.

In such a context, what is the distinctive mission of the business in society field? How does BnS differentiate itself from other fields, and what do the particular expertise and backgrounds of business in society scholars have to offer that other, perhaps more narrowly construed, fields might not? To deal with these questions, a diverse group of scholars and working groups grappled with questions related to the currently dominant memes and fundamental institutional logics that shape the field, the distinctive competence of the business in society field and its differentiation from related fields, key trends and issues on which scholars might focus, and how we might renew commitment to big questions, important issues, and actual impact on the world.

ARGUING FOR BUSINESS *IN* SOCIETY

To start the session, Sandra Waddock, past SIM division chair, highlighted the importance of memes—core cultural artifacts like phrases, images, symbols that form the foundation of narratives and stories that shape worldview—in shaping our beliefs about firms and our BnS work. Waddock

posited that the field really needs to be framed as business IN society because societies form the contexts in which businesses arise and thrive (or not), just as the natural environment (ecology) forms the environment for human societies to arise and thrive (or not). She noted the spread of BnS content across the (broadly-defined) management academy (notable in the AOM program), the loss of distinctive framing and questions, and the narrowing of research interests that has occurred in recent years, part as a result of pressure on scholars to publish in 'A' journals with high impact factors. Waddock argued that it is time that SIM returned to its normative, critical, and 'big question' roots of truly exploring the roles that businesses can productively play in society, rather than falling prey to what Ed Freeman calls 'methodolotry,' the idolization of supposedly scientific methods in social research. BnS should question the problematic 'business as usual' system that dominates our economic business system and the world, despite global challenges of sustainability, inequality, and climate change. Asking big 'whole system' questions, framing distinctive and normatively-based research directly aimed at fostering a better world would be the road less traveled.

Waddock highlighted her comments by sharing the IABS mission: 'IABS is a learned society devoted to research and teaching about the relationships between business, government, and society,' and the SIM (Social Issues in Management division of AOM) (Exhibit 1), contrasting them with the AOM's explicitly normative and vision-based mission statement (Exhibit 2). Then she presented a version of the SIM mission from Edwin Epstein that brings together the normative, big question, better world orientation that can be found in the SIM Division's much-forgotten vision statement.

> From their inception, the social issues in management (SIM) field and the SIM Division within the Academy of Management have provided venues to examine the complex, dynamic, two-way relation between economic institutions of our society and the social systems in which they operate. They have blended the normative with the scientific, the speculative with the empirical, and the philosophical with the pragmatic. The field and the Division have served, perhaps most importantly, as the conscience of management education and the Academy. Their enduring quest and raison d'être is to foster corporate capitalism that is accountable, ethical, and humane (Epstein, 2000).

Exhibit 1. SIM Domain Statement, 2015

The Social Issues in Management (SIM) Division studies the social issues, institutions, interactions, and impacts of management. The common logic of SIM scholarship is our shared interest in understanding responsible behavior by organizations and the people and groups working in and around them. Such investigation leads us to ask fundamental questions about the ethical systems, roles, functioning, and legitimacy of business institutions. Members also bridge scholarship to applied social practices, developing understanding and methods to promote social change and sustainable development.

Specifically, we address:

- Individual and organizational ethics. Descriptive, including behavioral, work covers individual characteristics, group/organizational influences, and firm-environment interactions. Prescriptive work includes ethical theories, e.g., rights and justice, and the study of norms, values, and moral principles.

- Organizations and systemic governance. The study of relationships and responsibilities covering both top-level corporate and within-organization governance, and social/environmental governance, including regulatory partnership, corporate corruption/compliance, strategic issues/public affairs management, and corporate political activity.

- Stakeholder behaviors, relationships, and systems. Descriptive approaches illuminate interactions with multiple stakeholders, e.g., corporate philanthropy and management of natural environmental issues. Instrumental approaches investigate the impact of stakeholder management on firm goals. Prescriptive approaches consider the organization's responsibilities to stakeholders, e.g., corporate social responsibility, corporate social performance, corporate citizenship, and stakeholders' responsibilities to the organization.

Exhibit 2. AOM Mission, Objectives, Values (2016)

The Academy of Management is an organization of members who are passionate about their work, research, teaching and knowledge in the field of management. The Academy works to reach key objectives set out by our leadership, which has also been driving statements throughout our current Strategic Plan.

Mission: To build a vibrant and supportive community of scholars by markedly expanding opportunities to connect and explore ideas.

Vision: We inspire and enable a better world through our scholarship and teaching about management and organizations.

Values:

- Our mission is guided by key values:
- We value high quality research, teaching, and practice in the field of management and organization.
- We cultivate and advocate ethical behavior in all of aspects of our work.
- We provide a dynamic and supportive community for all of our members, embracing the full diversity of our backgrounds and experiences.
- We respect each of our members' voices and seek to amplify their ideas.
- We build cooperative relationships with other institutions committed to the advancement of scholarship and teaching about management and organization.

Dawn R. Elm, past SIM Division Chair, and currently Executive Director of the Society for Business Ethics, discussed the continued lack of appreciation for the *humanness* of our business endeavors as we have become besotted with the rational paradigms of business activities within society. She pointed out that there are three major areas of growing interest within the ethics subfield: 1) global and international issues, including global human rights, cultural ethics beyond WEIRD (Western, educated, industrialized, rich, democratic), sustainable/environmentally conscious business models; 2) technology and social media, including social media and privacy, trust and the sharing economy; and 3) ethical reasoning models and theories, including, aesthetics in business ethics and decision making and behavioral ethics. All of these issues have in common their *humanness* but what is missing from most ethics research are the human elements of emotion,

intuition, relationships, i.e., humanness. Elm argued that ethics is a profoundly human activity that cannot be reduced to logic or an equation. Instead, it must be studied and practiced with all the components of human nature, since we are social creatures and a reciprocal species. We need relationships, trust, emotion, and courage to experience the whole spectrum of our humanity in our research, not just our personal lives.

The choice to take the road less traveled requires courage, which appears to be lacking in not only our academic efforts, but the practice of business as well. Recent work on the integration of aesthetics and human considerations in business ethics (Kohen & Elm, 2014) as well as the resurgence of marginalized perspectives in the field of business in society (Freeman, et.al., forthcoming) can help shape the future of the field in meaningful ways. A new vision of business as a human venture in a society with complex dimensions is needed to advance our consideration of what the future holds for the field. Thus, we should be asking questions like: What *should* we do to promote ethical activity around the world? What does social media *mean* for our human experiences in terms of relationships and culture? How do we *minimize harmful lying* in organizations? These types of questions are more worthwhile than measuring ethical activity or creating social media policies in organizations—and much more in tune with where the BnS field needs to go.

Incoming SIM program chair David Wasieleski argued that to get to the notion of 'business *in* society,' we need to change the way we think about corporations, much as suggested by Frederick (2013) in his book *Natural Corporate Management*. Fundamentally, we need a revised theory of the firm that includes institutional logics that go beyond profitmaking and shareholder wealth to include institutional logics of sustainability and ethics. We need to get individuals to perceive business as a *part* of society, rather than as simply interacting with society, just as humans are part of nature, not separate from it. At core, we must reinvent the way business' role in society is perceived. The natural cascade approach that Frederick promotes may be one approach for thinking about organizations as interacting naturally with their social and ecological environments.

Wasielski further claimed that paying attention to discourse and language, i.e., the narratives that frame worldviews, can help to foster understanding of the ways in which social norms are created, can legitimize broader discourses in scholarship as well as more reflexive scholarship, encouraging newer scholars to bring their values to their work explicitly. He pointed out that BnS needs a new institutional logic, since 'large-scale organizational changes are driven by institutional logics that serve as organizing principles as they encompass the values of institutions' (Sonpar, Handelman & Dastmalchian, 2009: 345). Institutional logics are 'symbolic systems, waqys of ordering reality, and thereby rendering experience of time and space meaningful' (Friedland & Alford, 1991: 243) that can guide individuals within a particular organization or institution to alternative sways of seeing, interpreting, evaluating, and responding to the current environment or situation (Thornton & Ocasio, 2008; Westernman-Behaylo, Berman & Van Buren, 2015), explaining how change occurs.

The BnS field needs a new institutional logic to help define the content of institutions, emphasize the course of action for individuals, and identify normative content of dominant logics regarding what behaviors and strategies are considered appropriate (Vurro, Dacin & Perrini, 2010). Even if there are multiple logics (Besharove & Smith, 2014), such conflicts can be useful generators of deeper discussions among scholars, moving the BnS field to a 'Mode 2' form of scholarship (Swan et al., 2010) that goes beyond mere knowledge production to trans-disciplinarity and co-production of knowledge.

Colin Higgins, past president of IABS, raised a series of fundamental questions about which road the field should take in terms of a U-turn to a road less travelled, noting that his preferred path has been travelled in the past. He wondered *how* we (as scholars) can reclaim the political, critical, and normative dimension of business *in* society in the context of 'A' journal mania, impact factors, and citation counts, asking where books fit into our scholarship. From a more critical perspective, he queried, how do we balance having an impact on practice with our roles as critics, and why do we accept the status quo largely unquestioningly? In a context where some voice—economic voices—are seen as more 'legitimate' than others, how do BnS scholars raise important questions about the society and world that we live in? These questions are the ones on which the filed was founded—but now need to be brought back into our scholarship for it to matter in the world, reclaiming the critical perspective now found in the Critical Management Studies (CMS) division of AOM.

Higgins argued for studying the ways in which social movements bring about change. By paying attention to who the social actors are that shape the changes that businesses notices, we can potentially understand and provide support for social movements that foster constructive change. He noted that we as BnS scholars need to think about broader systems of social change that can engage (rather than antagonize) mainstream thinkers and business practitioners, and give voice to marginalized stakeholders and communities by studying other (relatively) successful social movements (e.g., the gay movement, some indigenous movements, perhaps the feminist movement) and learning something about bringing about broader social change about the relationship has with the social and natural environments of which it is a critical part.

Shawn Berman, past SIM Division Chair, discussed recent work with Stephen Brammer on how the need for CSR and the business case for CSR has become almost a taken-for-granted fact among executives. CSR is seen as inevitable, important, ubiquitous, and demanded as part of good business in both academic and practitioner circles as well as in the popular press. But Berman and Brammer's analysis of actual corporate behavior since the early 2000's shows stagnation in many measures, confirmed in KLD data in a study with Jeff Harrison. Thus, if this evidence is right, we need to ask ourselves why socially responsible behavior stopped improving (and may have even taken a bit of step backwards). The data suggest that evidence in favor of considerable and improving corporate engagement with CSR is modest at best. Few firms have many strengths and growth in these strengths has been just about nonexistent, and offset by consistent increases in 'concerns' as measured by the MSC ESG Socrates data.

These data suggest an apparent disconnect between how we and others think and talk about CSR and what is actually happening in the world of business. The crossroad, as Berman sees it, is questioning ourselves as activists and researchers. The data pose a critical question for the field: How can we better influence the world of practice given the evidence that our decades of selling the business case may not be leading to the corporate behavior we expect?

On a similar theme Berman' data support, Jerry Calton made the case that we have made a number of choices in our field that have taken us, in effect down the road *more* traveled by other scholars and disciplines. This choice is particularly evident on the SIM program at the Academy of Management, toward casting business *and* society as a 'social science' with all of the trappings of proposition testing via statistical analysis on the assumption that our field can find the 'Truth' in a pile of correlation coefficients. There is a preoccupation with capturing or serving the mind of the manager

of the focal firm that frame s individual cognitive process in ways that attempt to meld 'rational' economic 'man' with moral 'man.' Such efforts are evidenced in the numerous studies that assume that the economic 'man' (CEO) will embrace CSR and the triple bottom line if BnS social scientist can demonstrate statistical evidence of a positive relationship.

In this process, our field has become narrow, and, frankly, boring, Calton posited. From the earliest days BnS was concerned with ameliorating the negative impacts of 'free market' business actions on societies and stakeholders. Such negative social and environmental impacts can be framed as threats to public goods and common resources to which all members of society arguably should be entitled to access (e.g., health care, clean air and water). Why have the interesting questions about political activism, ethics, and sustainability gravitated elsewhere?

From this perspective, maybe Bns as a field needs to consider some roads not taken (or only partially explored) and start searching for some alternative futures for our field. Calton argued for more fully embracing the European (and neo-pragmatist) focus on competing narratives of ways to realize the good life. We need to embrace complexity and difference as a condition that cries out for a co-creative process of shared sense-making via multi-stakeholder dialogue. This necessarily involves moving away from the centrality of the focal firm and toward a conception of firms embedded in network relationships governed by a process that seeks to create mutual value in a spirit of justice and fairness. Garrett Hardin (1969) wisely observed that complex systems problems have no 'technical solution.' Rather, efforts to govern the commons must begin with a moral transformation to enable collaborative problem solving within a sense of a shared future. This insight points the way forward for BnS towards an exploration of the normative values and institutional innovations needed to enable a process of collective cognition to guide networked system governance (Alberada and Waddock, 2016).

By adopting a 'decentered stakeholder theory' that shifts cognitive attention away from 'managing' stakeholder relations with the focal firm towards co-learning processes that seek to address shared issues and problem that define and shape interactive networks, the field can potentially move forward productively. BnS also needs to pay more attention to stakeholder activism (social movement theory) as a driver of BnS interactions and shared governance processes, surfacing, questioning, and challenging existing power relationships while recognizing that power is legitimate to the extent that it exercised for a good cause. Further, the field needs to embrace the normative dimensions of BnS interactions, shifting attention as Elm argued to 'what ought to be' rather than 'what is,' using various forms of action research, more field work, and less library and lab work. By embracing a constructivist approach more explicitly, BnS scholars can study things like the emergence of trust and cooperation with network interactions, which require enforcement of rules that give rise to 'mutual coercion, mutually agreed upon,' permitting ethical discourse in multi-stakeholder settings. In moving in this direction, BnS will need to define cognition more broadly to encompass process of individual and collective reality as well as an affective dimension of empathetic understanding of the situation of others. Ultimately, morality and the good life do not arise from a cold quest for solutions to intellectual puzzles. They emerge from each person's willingness to recognize a moral challenge (Gioia's 'now think moment)(Gioia, Corley & Fabbri, 2002) and act out of a sense of responsibility to others. Such moral courage arises from a warm union of head and heart and an emotional connection that can lead to the linkage of Self and Other in sustainable network and community relationships.

FURTHER THOUGHTS

Following presentations, panelists and audience members engaged in thoughtful subgroup conversations, some of which raised the points below.

Current dominant memes include free markets which might be substituted by 'fair markets,' maximize shareholder wealth, which might be substituted by collective value (Donaldson & Walsh, 2015), individualism which might be replaced by communitarianism. One question raised was whether we see society as a stakeholder are s the system in which we live and work. The relationship of BnS has a currently dominant paradigm of being economically good; the shift that seems desirable is one of making society good, i.e., a wellbeing or collective value orientation, or perhaps a new concept of social efficiency. That shift demands making 'make the world a better place' authentic, not just rhetoric.

One of the constraints for academics is today's publication process. Editors, associate editors, and reviewers need to have the courage to accept articles with a humanistic, qualitative, and big picture perspective when the work is good and well developed. We need to develop a better sense of what good, insightful reflexive scholarship is, and work closely with gatekeepers to begin to make the needed shifts. That may mean complimenting the positivist approach with a normative approach explicitly, and encompassing the 'human' aspects of research as well, including emotions, intuitions, and aesthetic qualities. This move may also demand better listening skills to enhance moral empathy.

In Europe there is a movement towards the 'how' question and towards impact thinking and measurement, demanded by executives, shareholders, NGOs, and governments that might be useful as a way of thinking about BnS scholarship. In thinking about institutional logics, we need to move beyond romantic ideas of 'what' and theorize the 'how.' Also, institutional investors in Europe embrace a longer-term time frame than more short-term oriented investors in the US. In the context of business schools, the accrediting body AACSB is seeking scholarship that actually makes an impact. Though we may not be able to affect managers much, we do influence the way that our students think, and importantly, that requires us to model the behaviors that we seek.

Looking more closely at social movements, for example building relationships v. short term profits, and risk management, might enhance system change. Essentially, if you sell the business case to managers, you are 'selling out,' since you are implicitly accepting the dominant and problematic memes and norms. What is important is relocating the conversation from a single-minded profit orientation towards a relational orientation, towards what Donaldson & Walsh (2015) term collective value supported by dignity for stakeholders. Further, BnS needs to pay attention to significant moves in the world like integrated reporting, which will shift how businesses perceive their own activities significantly. Social entrepreneurship and innovation are also arenas in which the BnS field needs to be invested, as they explicitly have multiple bottom line orientations and can shape new types of business practices (c.f., Conscious Capitalism and B-corporations).

GOING FORWARD

There was much interest in the conversation about shifting the norms of the BnS field towards more explicitly normative, reflexive, and big picture questions. Issues were raised about how to maintain this broader perspective and the excitement it generates during the year and carry the insights raised

both by the audience and panelists forward to action, e.g., through action learning and research, online conversations and discussions, and identification of groups that might work on specific issues, projects, and papers together that are related to shifting the field.

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Business Ethics and Ethical Leadership

Examining the Millennials' Ethical Profile: Assessing Demographic Variations in their Personal Value Orientations

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Abstract: The Millennials, people born between 1980 and 2000, are often treated as a homogenous generation. While some prior research on generations posits that there are a number of consistencies across a generation, such as the Millennials, others argue that differences may emerge and distinguish individuals within a generation. Based on prior business ethics literature, this research dissects the Millennial's personal value orientations (PVO) to explore if demographic differences, such as gender, amount of work experience, business discipline, and intelligence reveal variations in the ethical profile manifested by Millennials. The results from this research show that there are indeed numerous and significant statistical differences within the Millennials' PVO dataset. Variations are found when exploring nearly every demographic variable considered. Implications of these findings are discussed.

Keywords: Personal Values Orientation; Millennials; Generational Research

INTRODUCTION

Millennial generation, defined as individuals born between 1980 and 2000, constitute roughly 80 million people and, as a group, exceed the population of the Baby Boomers (born between 1946 and 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. Yet, little is known about what these individuals believe in or how they view the world from an ethical perspective. More importantly, it is risky to assume that, as a member, of a generation each individual will exhibit exactly the same characteristics. Therefore, although scholars have begun to explore and report on Millennials' characteristics (Twenge, Campbell & Freeman, 2012), it is important to delve even deeper into this generation's psychological makeup to explore if differences emerge when dissecting the Millennials' ethics profile, specifically their personal value orientations, using various demographic traits.

This research seeks to delve more deeply into the Millennials' ethics profile. The quest is to dissect

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the ethical profile of this generation, using various demographic characteristics (gender, amount of work experience, business discipline, and intelligence) to better understand if there are differences within this population's personal value orientation that may influence this generation's cognition reasoning and behavior.

VALUES THEORY

Kluckhohn's value definition is generally accepted as the standard definition of values: "A value is a conception, explicit or implicit, distinctive of an individual or characteristic of a group, of the desirable, which influences the selection from available modes, means, and ends of action" (1951, p. 395). Values are deeply personal and individualistic. To understand and ultimately measure one's values, Rokeach (1973) developed two lists of values – terminal or end-states of existence and instrumental or modes of conduct. Values are but one of many factors that researchers found to influence behavior.

The understanding of values, especially the value orientations held by individuals, remains a complex and troubling notion for many scholars. This complexity may result in the decision-maker being influenced by different sets of values or value systems. 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" (p. 5). From his two sets of 18 values, he envisions an intersection resulting in four value orientations: Personal-Competence, Social-Competence, Personal-Moral and Social-Moral. However, from Rokeach's work, it was not empirically determined 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 providing empirical support to cluster Rokeach's original values into orientation groups, Co-author used the results from five prior studies to weight the impact that each value has on the value orientations hypothetically proposed by Rokeach.

GENERATIONAL RESEARCH

It is generally assumed that there are three major generations represented in the workforce - Generation Y or Millennials, Generation X, and Baby Boomers (Smola & Sutton, 2002), however the cutoff years for each generational cohort vary based on source. The concept of generation was popularized in "The Problem of Generations" (Manheim, 1970). Mannheim suggested that generations emerge within a historical (time-based) and location context so that its members possess an "illusion" of a unified group.

Though an age-based approach is the most popular interpretation of "generation", there are other ways in which generations might be understood. One is a maturity-based view which suggests that a generation's members are those that experience some level of maturity (such as learning to drive a car once earning a certain level of responsibility) at the same time regardless of their biological age (Joshi, Dencker, & Franz, 2011). Another is an identity-based view which suggests that a generation's members are simply those individuals that define themselves with a generationally-based label (Joshi, Dencker, Franz, & Martocchio, 2010).

HYPOTHESES DEVELOPMENT

Research often portrays a generation, whether it is the Baby Boomers or Generation X or Millennials, as a homogenous population. While there may be strong similarities across individuals comprising each generation, generational literature suggests (Costanza, Badger, Fraser, Severt & Gade, 2012) suggests that variations may exist and there are outliers to the generalities assigned to the generation. This research looks at the demographic differences within the Millennials' sample of PVO to discover any significant variations due to gender, amount of work experience, business discipline, and intelligence. Expected variations providing the foundation for our research hypotheses are based on prior work reported in the generational and business ethics literatures.

Gender

One of the most common demographic variations within a generation appears when looking at gender. Business ethics research is filled with exploratory comparisons of females versus males, in fact it is the most studied demographic difference according to the major business ethics literature reviews (O'Fallon & Butterfield, 2005).

Females appear better able to cognitively process information leading to sound ethical decisions which tends to lead to the conclusion that females are more ethically oriented than males. In addition, this ethical strength in their decision process points to a greater attention to the group or society, rather than a focus only on the self, when resolving complex ethical dilemmas. Given this strong and generally consistent evidence, we hypothesize to discover results similar to previous studies of other generations, specifically that:

> *H1a: Females in the Millennials sample will more likely exhibit an ethical or Moral, rather than Competence, PVO than males, and*
> *H1b: Females in the Millennials sample will more likely exhibit a Social, rather than Personal, PVO than males.*

Work Experience

Next, our focus turns to the impact that the amount of the Millennials' work experience may have on their PVO. Significantly research counters the "no effect" conclusions and report that work experience, as one may expect, does have an impact on a decision-maker's cognitive process. Eweje and Brunton (2010) discovered that the more work experience a person has, the stronger the person's ethical orientation. Valentine and Rittenberg (2007) also found work experience to have an impact on the ethical decision process when looking at one's ethical intention. Therefore, we hypothesize that:

> *H2a: Millennials with work experience will more likely exhibit an ethical or Moral, rather than Competence, PVO than Millennials with no significant work experience.*
> *H2b: Millennials with work experience will more likely exhibit a Social, rather than Personal, PVO than Millennials with no significant work experience.*

Business Discipline

A few studies failed to identify any significant differences among academic majors when exploring the students' ethical decision-making profile. However, Sweeney and Costello (2009) found that, for a number of ethical scenarios, accounting students were able to identify the ethical dilemma embedded in the scenarios more readily than non-accounting students. Their findings confirm earlier works that found accounting students stronger in this decision-making aspect than non-accounting students. Therefore, we posit that:

> *H3a: Subjects working in the accounting field or students majoring in accounting will more likely exhibit a Moral, rather than Competence, PVO compared to subjects working or majoring in other business disciplines, and*
> *H3b: Subjects working in the accounting field or students majoring in accounting will more likely exhibit a Social, rather than Personal, PVO compared to subjects working or majoring in other business disciplines.*

Unfortunately there is relatively little additional work in the business ethics field that has compared subjects according to their work discipline or major area of academic study. Yet, as we noted earlier, there may be variability within an age group when an individual identifies more with a career (which would be similar to major for our sample of college undergraduate students) than with a generational label. Therefore, we generally posit that:

> *H3c: There will be significant differences among the Millennials in our sample based on their business discipline when comparing their Competence versus Moral PVO, and*
> *H3d: There will be significant differences among the Millennials in our sample based on their business discipline when comparing their Personal versus Social PVO.*

Intelligence

Business ethics scholars have primarily emphasized the role of intelligence within leaders and the impact this influence has on decision-making properties and decisions (Segon & Booth, 2015). Often scholars use a surrogate measure for intelligence when considering a student sample – grade point average (O'Fallon & Butterfield, 2005). This work is generally consistent – the higher the grade point average the more likely there is enhanced decision making or behavior (Dunegan, 2010). When turning to ethical behavior, Abdolmohammadi and Baker (2007) found that the higher the grade point average the less likely a student would engage in plagiarism. Similarly, Gupta, Walker and Swanson (2011) reported that the higher the student's grade point average the more likely the student was willing to report the instance of the error and the grade inflation that would benefit their grade in the course. Based on this limited but consistent research emphasizing intelligence and its surrogate, grade point average, we proposed that:

> *H4a: Millennials with a higher grade point average will more likely exhibit an ethical or Moral, rather than Competence, PVO than Millennials with a lower grade point average, and*
> *H4b: Millennials with a higher grade point average will more likely exhibit a Social, rather than Personal, PVO than Millennials with a lower grade point average.*

METHODOLOGY

Sample

The sample used in this exploration consisted of Millennials participating in either an undergraduate business degree program at a mid-sized eastern university in the United States or continuing education ethics training sessions sponsored by business organizations or professional associations in the eastern United States. All of the subjects were born between 1981 and 2000, thus members of the biological age-based Millennial generational label. A total of 729 subjects completed the Rokeach Value Survey (RVS). In this sample, the average age of the subjects was 22.31 years, ranging from 19 to 33 years of age. Gender representation in this sample was balanced, with 52 percent female, reflecting the global gender distribution of Millennials. Within the student subsample, there also was an effort to balance the sample across their academic standing, with 54 percent in their junior year and the balance in their senior year of a four-year undergraduate program and student subjects in this sample had a grade point average of 3.15 out of a 4.00 scale. The managers and student subjects averaged 5 years of work experience.

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, respondents were asked to rate, rather than rank, their value preferences. Co-author (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.

Measures

Gender self-reported. Twenty-eight subjects chose not to report their gender, but 367 indicated female (52%) and 334 indicated male (48%) for a nearly balanced distribution.

Amount of work experience. The Millennials sample was split into two subpopulations: those with one year or more of work experience (166 subjects) versus Millennials with less than a year of work experience (450 subjects).

Business discipline. self-reported primary business discipline at work or selected academic major. Millennials working in a marketing discipline or majoring in marketing comprised the largest business discipline group (153 subjects), with accounting the next largest group (147 subjects), followed by finance (108), supply chain management (93), information systems management (89), and management (77).

Intelligence grade point average, was used. The Millennial's sample was split into Millennials with a grade point average of 3.30 or above out of a 4.00 scale (227 subjects) versus Millennials with a grade point average at or below 3.20 out of a 4.00 scale (224 subjects).

RESULTS

As shown in Table 1, as a generational group the Millennials have a biased (not random) distribution across the four PVO types. They tend to cluster toward the Personal-Competence PVO more than any other PVO type (44.4%), with Personal-Moral PVO next (30.2%), and then Social-Competence PVO (13.2%). This distribution is similar to what Co-author (2015a) found when looking at managers' PVO.

Table 1: Millennials' PVO Distribution, Compared to Managers (Weber, 2014)

Personal Value Orientation	Millennials (Generation Y)	Managers in the 2010s (Generation X)	Managers in the 1980s (Baby Boomers)
Personal-Competence	324 (44.4%)	136 (37.1%)	221 (53.5%)
Social-Competence	96 (13.2%)	43 (11.7%)	90 (21.8%)
Personal-Moral	220 (30.2%)	108 (29.4%)	76 (18.4%)
Social-Moral	89 (12.2%)	80 (21.8%)	102 (24.7%)

Specifically, an initial assessment was conducted to look at differences by gender. As Table 2 shows, the PVO distribution for Millennial females was statistically different than the PVO distribution for Millennial males. A more in-depth assessment of this data uncovered that females placed a higher importance on moral-based, as opposed to competence-based, values compared to Millennial males. This difference was statistically significant for the Moral PVO. The difference lies in the gender contrast for the Personal-Moral PVO but not for the Social-Moral PVO. Therefore, there was *partial support for hypothesis (H1a)* that predicted that females in the Millennials sample will more likely exhibit an ethical or Moral, rather than Competence, PVO than males.

Table 2: Millennials PVO Distribution by Gender

Personal Value Orientation	Females	Males
Personal-Competence	140 (38.2%)	171 (51.2%)
Social-Competence	50 (13.6%)	34 (10.2%)
Personal-Moral	131 (35.7%)	86 (25.7%)
Social-Moral	46 (12.5%)	43 (12.9%)

Females N = 367; Males N = 334; X^2 comparison = 14.048, p = 0.0028

Turning to the next hypothesis (H1b), we compared the PVO distribution of Millennial females versus males for the Social, rather than Personal, values. As predicted, Millennial females attributed higher importance to social-based values, rather than personal-based values when compared to Millennial males. This difference was not statistically significant for the Social-Competence PVO, as well as for the Social-Moral PVO. Therefore, there was *no support for hypothesis (H1b)* that predicted that females in the Millennials sample will more likely exhibit a Social, rather than Personal, PVO than males.

Our analysis then turned to an assessment investigating whether the amount of work experience may exert an influence on Millennials' PVO. As displayed in Table 3, the chi-square goodness of test revealed statistically significance differences across the two subpopulations. Next, the two subpopulations of Millennials were compared to see if differences emerged based on the prediction in hypothesis #2a. The Z-test of proportions showed a significant difference between the Moral PVO for those with more than one year of work experience compared to those with less than one year of work experience. Further analysis of this relationship was conducted looking at differences for the Personal-Moral PVO which showed a significantly statistical difference. However, when assessing if there was a difference between the Social-Moral PVO, the analysis failed to show statistically significant results. These results provided *partial support for H2a.*

Table 3: Millennials PVO Distribution by Amount of Work Experience

Personal Value Orientation	More than 1 year	Less than 1 year
Personal-Competence	61 (36.7%)	218 (48.4%)
Social-Competence	23 (13.9%)	54 (12.0%)
Personal-Moral	63 (38.0%)	126 (28.0%)
Social-Moral	19 (11.4%)	52 (11.6%)

More than 1 year N = 166; Less than 1 year N = 450; X^2 comparison = 7.913, p = 0.047.

Next, our analysis reviewed the potential for the amount of work experience to lead to a greater focus toward a social PVO than a personal PVO. The Z-test of proportions showed no significant differences in the Millennials Social versus Personal PVO when comparing subjects with more than a year of work experience to those with less than a year a work experience. Therefore, *no support for H2b* was discovered with this sample.

The next step in our analysis of the Millennials' PVO data focused on the comparison of business disciplines within the sample (see Table 4). However, there was *no statistical support for our prediction embodied in H3a or H3b* that Millennials working or majoring in accounting will more likely exhibit a Moral, rather than Competence, PVO compared to Millennials in other business disciplines, and Millennials working or majoring in accounting will more likely exhibit a Social, rather than Personal, PVO compared to Millennials in other business disciplines. In fact, as shown in Table 4, accounting discipline managers and students exhibited the lowest importance attributed to moral-based values and the fourth lowest importance given to the social-based values.

Table 4: Millennials PVO Distribution by Business Discipline

Personal Value Orientation	Accounting	Finance	Information Systems Management
Personal-Competence	94 (63.9%)	52 (48.2%)	47 (52.8%)
Social-Competence	18 (12.2%)	8 (7.4%)	13 (14.6%)
Personal-Moral	22 (15.0%)	23 (21.3%)	25 (28.1%)
Social-Moral	13 (8.9%)	25 (23.1%)	4 (4.5%)
Personal Value Orientation	Management	Marketing	Supply Chain Management
Personal-Competence	42 (54.5%)	78 (51.0%)	49 (52.7%)

Social-Competence	15 (19.5%)	28 (18.3%)	5 (5.4%)
Personal-Moral	14 (18.2%)	29 (19.0%)	28 (30.1%)
Social-Moral	6 (7.8%)	18 (11.7%)	11 (11.8%)

The second set of hypotheses within the business discipline questions. Initially we investigated if there were any differences in the PVO distribution across each business discipline. Of the 15 comparisons, we found 12 (80%) to be significantly different leading us to believe that *there is support for Hypotheses 3c and 3d*.

Initially, we reviewed the distribution for the moral-based and social-based values within each business discipline. The business discipline with the strongest importance given to moral-based values were Millennials from the finance field – 44.4 percent, followed by Supply Chain Management, Information Systems Management, Marketing, and Management. For the social-based values, the managers working and students majoring in finance, again, represented the greatest percentage of Millennials with the strongest emphasis – 30.5 percent, with Marketing next, then Management, Accounting, Information Systems Management and finally Supply Chain Management.

A comparison of the PVO distribution across business disciplines in this sample was conducted, testing H3c and H3d (see Table 4) and yielded some interesting results. Only 14 of the 60 comparisons were statistically significant. There was only one comparison (out of 15) looking at the Personal-Competence PVO that was significantly different: accounting versus finance. There were five Social-Competence PVO comparisons that were significantly different: finance versus management and versus marketing, and supply chain management versus information systems management, versus management and versus marketing.

Turning to comparisons of Personal-Moral PVO, there were three significantly different assessments: accounting versus information systems management accounting and versus supply chain management and marketing versus supply chain management. Finally, when investigating differences between business disciplines and a Social-Moral PVO, five comparisons were found to be significantly different and each significant comparison involved the finance business discipline: finance versus accounting, versus information systems management, versus management, versus marketing and versus supply chain management.

The implications of these results will be discussed in the next section of this paper, but the data indicates that there is *some statistical support for hypotheses 3c and 3d*: there will be significant differences among the Millennials in our sample based on their business discipline when comparing their Competence versus Moral PVO, and there will be significant differences among the Millennials in our sample based on their business discipline when comparing their Personal versus Social PVO.

The final demographic variable considered in our analysis focuses on the Millennials' intelligence (or grade point average for those students currently in an undergraduate programs) presented in Table 5. The analysis of the PVO distribution based on grade point average supported our initial belief – there is a statistically significant difference in the two populations' PVO distribution based on grade point average.

Table 5: Millennials PVO Distribution by Intelligence Aptitude (Grade Point Average)

Personal Value Orientation	> 3.30 out of 4.00	< 3.20 out of 4.00
Personal-Competence	107 (47.1%)	107 (47.8%)
Social-Competence	32 (14.1%)	23 (10.2%)
Personal-Moral	73 (32.2%)	53 (23.7%)
Social-Moral	15 (6.6%)	41 (18.3%)

> 3.30 GPA N = 227; < 3.20 GPA N = 224; X^2 comparison = 26.508, $p < 0.001$

Further analysis was conducted to determine if the observed significant difference was consistent with the differences predicted in H4a and H4b. This analysis showed marginally significant results at the 0.10 level for a personal versus social value orientation, thus *marginal support was found for H4c*. However, no statistically significance differences were observed when comparing a competence versus moral value orientation, therefore *no support for H4d*.

DISCUSSION AND LIMITATIONS

This research adds important knowledge to the fields of generational and values studies in a number of specific ways. First and foremost, most research on generations seems to stereotype individuals within a category by assuming that all generational members possess the same traits, behaviors and values (Kupperschmidt, 2000). Such research largely ignores any potential variability among members within the same generation. It suggests that managers should not assume that their employees, consumers, or investors value certain things just because of their age. Rather, their treatment of employees or enticement of consumers or appeal to investors should consider the personal values, beliefs, and preferences held by each individual person.

Second, many of the results found in this research were expected, while others not so much. For example, females in our sample placed greater importance on moral and social values than males, consistent with extant research. However, what was not expected or hypothesized were the significant value variations between different business disciplines and the amount of work experience levels suggesting that there are other "groupings" than generation that are more important, salient, or appropriate when attempting to examine similarities among individuals. With regard to values, these variations could be due to gender, business discipline, or amount of work experience and future research might also examine values similarities between members with the same organizational roles or job titles (such as accountant or IT manager) and other potentially salient identities.

Looking more deeply into the results reported earlier, it is not surprising to find that females exhibit value preferences aligned with our predictions and previous research. This finding provides partial support for Hypotheses 1 that generally characterizes females as "more ethical" than men, or more specific to this research, place greater importance on social and moral values which are often associated with ethical decision making. While not surprising, this result does provide evidence that managers seeking to attract Millennial employees should be aware that female Millennials may be more concerned with others than themselves or with an ethical or moral attitude rather than a concern for skill-based competencies. Marketing strategies that emphasize ethical behavior, such as free of deceptive advertising or a concern for the consumers' safety or health, may appeal more to

females in the Millennials population than males. And, investment brokers may be more mindful that developing portfolios with funding options that feature socially responsible businesses may be more appealing to female Millennials.

We next explored variations within the Millennials group based on the amount of work experience. Millennials with more work experience had a significantly different distribution in their PVOs and this distribution was mostly attributed to a stronger preference toward a Moral PVO than Millennials with less work experience. Yet, we did not discovery that work experience significantly impacted a Millennials Social versus Personal PVO. We did find that Millennials with significantly more work experience have a stronger preference toward a personal-moral values combination but not statistically different preference for a social-moral value orientation. It appears that the potential impact based on the socialization occurring during a Millennials' work experience may be limited to a change in the Millennials' preference toward a Moral PVO but not a Social PVO.

Turning to the results focusing on business disciplines, we are surprised to discover that Millennials working or majoring in accounting do not match with the PVO data preference exhibited by the Millennials working or majoring in accounting in our sample. Although there is no statistical support for Hypothesis 2 in this study, the implications of our discovery should be analyzed. What are the implications for the accounting profession given that accounting managers or students demonstrate a strong preference for personal and competence values even though they are currently in, or likely destined to join, a strong professional group that has high ethical expectations? A competence focus among Millennials may be welcomed by the accounting profession as a positive skill, yet it may be worrisome that there is not a stronger concern for society or a stronger concern for ethical values, which is often distinctive of the accounting profession.

It also is critical to note that Millennials working or majoring in finance demonstrate the highest importance for moral values (44.4%) of any business discipline group. This result is surprising given the occasional research that reported weak ethical characteristics among finance managers or students. The finance profession also claims to have a strong professional standard of ethical integrity and executives in this field should be delighted to see this orientation among current Millennial managers or incoming Millennial students majoring in finance.

A final word on the dramatic variations uncovered when comparing business disciplines – where 12 of 15 comparisons of the PVO orientations are statistically different. It appears that business disciplines are an important and pervasive variable when assessing the Millennials PVO. These consistent variations warrant additional research to better understand why these variations occur and what are the implications as the Millennials continue to populate the workforce, assume greater influence as consumers in the global marketplace, and become a major force as investors in businesses. Why are accounting, finance, information systems management, marketing, and supply chain management Millennials consistently different from other business disciplines (at least in four of the five comparisons conducted for each business discipline in this study)? What are the implications in the workforce given that accounting managers or majors show the least preference toward moral values and supply chain managers or students show the weakest concern for social values when compared to other business disciplines? While this research may raise more questions than provide answers to variations within the Millennials PVO, these are important questions that require exploration in subsequent academic research.

Grade point average is also considered in this research investigation. This measure is sometimes considered a surrogate for intelligence, but relevant to this study we find that Millennials with a higher grade point average are statistically different than Millennials with a lower grade point average. This finding confirms earlier work investigating the role that grade point average may have on ethical decision making and behavior. Yet, Millennials with a higher grade point average are only marginally more likely to emphasize moral or ethical values over competency values and no statistical difference is found when comparing social values over personal values. Despite prior research that touts students with higher grade point averages as more inclined toward ethical behavior and a consideration of the group over the self, we do not find compelling evidence to support these discoveries among the Millennials in our sample. Overall, grade point average may not be the best differentiator among Millennials in terms of their PVO and may be confounded by other variables or characteristics.

Though this research makes several important contributions as noted above, it is not without its limitations. The first major limitation is description of the Millennials generation based purely as a function of birth year. As we have noted, there are a problems associated with this. Focusing solely on birth year simplifies the complex concept of generation (Mannheim, 1970; Joshi *et al.* 2010, 2011). Alternatively, rather than defining Millennials by their birth year, a generation can be better understood by the identity with which an individual might use to define self.

The second limitation of this research is inherent in the sample. While including both undergraduate students sample and managers in our sample population, our sample is geographically limited. The subjects were either undergraduate students in a business program at a mid-sized Eastern university or managers engaged in an ethics training seminar also located in the Eastern portion of the United States. We acknowledge the potential bias within this sample, and therefore took great care to expand our sample to well over 700 subjects to minimize this potential bias. We also acknowledge that this research is merely the foundation for a more expansive and diverse Millennials sample that should be surveyed to ascertain their PVOs and uncover emerging differences within the Millennials sample due to gender, academic major, grade point average and/or work experience.

A third limitation of this research is due to the emphasis on personal value orientations, rather than focusing on behavioral patterns. Admittedly, there is stronger interest in learning what Millennials will do as employees, consumers or investors. However, it is important to remember that values are understood as furnishing the foundation of the cognitive process and as an influence upon the sequential reasoning processes that lead to decisions and behavior. Therefore, while this work did not measure nor cannot predict what Millennials will do, we can begin to understand the initial stage of the cognitive process – values - that eventually leads Millennials toward deciding what to do. Subsequent research needs to build on the initial foundation of Millennials' PVO to then begin to explore and identify the Millennials cognitive decision-making processes and resulting behaviors.

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Corporate Social Responsibility and Performance

Exploring the Antecedents of Organization Resilience: A Conceptual Approach

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Abstract: In an era of instant mass communication and pervasive social media, the ability of an organization to respond and recover quickly from sudden shocks and crises is extremely important to maintain organizational stability, public trust, and social license to operate. However, not all shocks affect firms in the same way and firms do not respond equally well to the same or similar shocks. One factor, organizational resilience, may explain why some firms are able to quickly recover after a shock and other firms recover slowly, partially, or never. Using case studies from the global automobile industry, we propose a conceptual model and several factors that may influence an organization's resilience and ability to recover and succeed.

Keywords: Consequences of Action; Incident Characteristics; Organizational Resilience

INTRODUCTION

Business academics are increasingly focusing attention on organizational resilience (Barin-Cruz, Delgado, Leca, & Gond, 2015; Lampel, Bhalla, & Jha, 2014; Sawalha, 2015; van der Vegt, Essens, Wahlström, & George, 2015). Although recent work concentrates on organizations' behaviors in natural disasters (Kantur & Iseri-Say, 2015) and exogenous incidents, such as conflict zones and global financial crises, we examine resilience needed for a firm to rebound from internal events, in particular those from unethical business behavior or poor management decisions.

By incidents we generally mean an act (or lack of action) by the business itself that results in some type of disaster, scandal or problem that negatively impacts the firm's stakeholders. These can be 'negative' incidents like an industrial accident which leads to harm to employees; a technical problem with the service or product that causes harm or death to customers; financial irregularities that cause investors and debtors to lose money; or a deliberate discharge of toxic substances into the environment.

Using four cases in the automobile industry, we develop propositions about what incident and organizational characteristics impact a firm's resilience (Bundy, Shropshire, & Buchholtz, 2013). We study resilience in the context of the automotive industry because it is one of the largest automotive

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markets in the world; it is highly competitive; and as a producer of consumer durable goods requires the trust and goodwill of the public to survive.

ORGANIZATIONAL RESILIENCE

Current research on the resilience construct is fragmented and does not provide adequate guidance in a practical context. Linnenluecke (2015) recently suggested the need to study various organizational factors that promote resilience and to look at these using multiple levels of analysis. Accordingly, in this paper we propose a model and develop propositions that account for characteristics that may affect resilience at three levels: the organization, the incident and the process of damage mitigation.

The concept of resilience has been used widely in psychological studies and in the ecology and engineering fields (Petit, Fiksel, & Croxton 2010). Within these literatures, resilience is generally understood to mean the ability of an entity (individual, team, family, organism, or material) to return to its original state after a disturbance, impact, or strain. Organizational resilience has been defined variously in previous management and organization studies, which have mostly conceptualized the term in the context of environmental disasters or external shocks. For example, while studying resilience in service organizations through the application of the vanguard method of systems thinking, Jaaron and Backhouse (2014: 2028) defined organizational resilience as "the ability of an organization to adapt to the requirements of the surrounding environment and being able to effectively develop new capabilities to absorb and manage environmental variability." In their editorial, van der Vegt, Essens, Wahlström, and George (2015) state that resilience reflects the ability of systems to absorb and recover from shocks, while transforming their structures and means for functioning in the face of long-term stresses, change and uncertainty.

Earlier conceptualizations of organizational resilience came from Staw, Sandelands, and Dutton (1981) and Meyer (1982) who focused on resilience in the context of organizational responses to external threats, and to strategic change in hospitals, respectively (see Linnenluecke, 2015). Staw and colleagues (1981) discussed threat-rigidity theory with the proposition that external threats to an organization restrict information processing and control leading to rigidity in responses. Thus the emphasis seemed to be on *rigidity,* rather than flexibility, which in later studies formed an important characteristic of resilient organizations. Meyer (1982) examined strategic change in hospitals and developed the adaptation and learning model conceptualizing resiliency as a result of organizations undertaking first-order change and single-loop learning, distinguishing it from what he termed "retention" which is characterized by second-order change and double-loop learning via instituting new practices and configurations. Thus, while resiliency was dependent on a firm's slack resources, retention was influenced by organizational structure and ideology.

CASES

Ford Pinto

In 1978 an Indiana grand jury unanimously indicted Ford with three counts of reckless homicide, the first time a corporation in the United States had been criminally charged (Dole, 1980). This came about in a trial related to the deaths of three teenage girls who were driving a Ford Pinto that caught fire after being involved in a relatively low speed collision. The problem with the Pinto was that the

design of the vehicle, especially its light weight and the location of the gas tank was such that a low speed rear end collision could cause the gas tank to rupture leading to spilled fuel which could easily be ignited by sparks in the crash (Gioia, 1992). Given the small size and light weight of the Pinto, it frequently was compacted in crashes, jamming the doors and trapping the occupants inside the burning vehicle.

Although Ford was acquitted of the manslaughter charges, this case and others attracted much public attention. One involving a teenage boy named Richard Grimshaw earned Ford further notoriety. A jury initially awarded the severely injured and disfigured Mr. Grimshaw $2.5 million dollars in compensatory damages and $125 million in punitive damages, the largest award in damages up to that point in time for a personal injury case (RCRSD, n.d.). The punitive damages were however later reduced to $3.5 million by the judge. In the words of a New York Times headline at the time, the Pinto "memory will linger on" (Stuart, 1980).

GM Ignition Switch

In the summer of 2014 General Motors announced it was recalling 3.4 million cars manufactured between 2000 and 2014 because of problems with the ignition switch. The problems related to a risk of the ignition switch shifting out of the "on" or "run" position into the "off" or "auxiliary" position and the engine shutting off while someone is driving the vehicle. This would result in the loss of power steering, increasing the likelihood of an accident at the same time that the air bags were disabled from the engine shutdown. This dangerous engine shutdown could occur if the car hit a bump and the likelihood of it happening was increased if the driver had additional keys or other items hanging from a keychain that also contained the ignition key. GM had previously recalled 2.6 million vehicles in smaller size classes for a comparable ignition switch glitch (CBS/AP, 2014).

While the first instances of wrecks due to the faulty ignition switch occurred in the early 2000s and individuals at General Motors realized there was a problem with the ignition switch design, GM executives and lawyers denied there was a problem until the first recall in February 2014. According to CBS News (Glor, 2015) in September of 2015 GM negotiated a deal with the US Justice Department whereby the company conceded that 124 deaths and 275 injuries were caused by the flawed ignition switch and they agreed to pay $900 million in federal charges and $575 million in compensation to victims and their families.

Toyota Gas Pedal

Starting around the year 2000, reports began trickling in of Toyota and Lexus (also manufactured by Toyota Motor Corporation) vehicles suddenly and inexplicably accelerating without the driver pressing the gas pedal. Drivers reported being unable to slow the vehicles down even by pressing on the breaks and in some cases unintended acceleration reached speeds in excess or 100 miles per hour. With drivers unable to control the vehicles at these high speeds, crashes occurred resulting in numerous deaths and injuries. While there were reports of similar sudden acceleration of vehicles made by other manufacturers, vehicles manufactured by Toyota were involved in crashes due to uncontrollable acceleration far more frequently than other vehicles.

Toyota's initial response was to attribute the problem to "driver error" (i.e., drivers thinking they are pressing the brake pedal when in fact they are pressing the gas pedal) or gas pedals getting stuck under poorly fitting floor mats. In line with this latter explanation, Toyota had recalled 4.2 million floor mats of Toyota and Lexus vehicles to replace floor mats (Evans, 2010) and had commissioned several "independent" studies to rule out other causes by the end of 2009.

The problem though remained under the radar of most individuals and regulators until a crash in 2009 involving an off duty California highway patrol officer who was driving his Lexus with his wife and two children when it suddenly accelerated to over 100 miles per hour. The officer was able to call 911 to report the runaway acceleration and his ineffective efforts to slow the vehicle down. The call was recorded at the 911 control center and ended only with the crash that killed all of the vehicle occupants. (Ross, Rhee, Hill, & Chuchmach, 2009).

Volkswagen Diesel Fuel Software

In September of 2015 multiple media sources reported that independent test results found that Volkswagen had installed software on its diesel vehicles to intentionally make them appear cleaner in emission tests done by the US Environmental Protection Agency than they were under actual driving conditions. This cheating was discovered when an environmental group hired scientists from West Virginia University to try to explain discrepancies between the European emission test results of VW diesel vehicles and their test results in the USA (Glinton, 2015). The West Virginia University scientists discovered that the emissions of the VW vehicles were as much as 40 times higher than the allowed limit for some pollutants when measured under actual driving conditions than they were when they were being tested (McHugh, 2015). This led investigators to discover software that had been intentionally installed to produce these deceptively low emission levels during the tests.

Top management at VW was slow to acknowledge the problem. According to one report they denied the problem for over a year before pressure from the US Environmental Protection Agency became so strong that VW had to admit that it had been cheating (Vlasic & Kessler, 2015). Initial reports however indicated that the cheating only pertained to a few models but subsequent reports showed the problem was in virtually all diesel models VW produced; that it had been going on for about 8 years; and that some gasoline powered vehicles also had cheating software to make them appear to have higher gas mileage than was actually the case. As of this writing no individual within the VW organization has taken responsibility for the cheating but there is a reasonable chance that responsibility will be uncovered during the civil and possibly criminal proceedings likely to take place in the near future.

MODELS AND PROPOSITIONS

From a review of previous scholarship and these case studies, we present a conceptual model (Figure 1) that expresses organizational resilience to endogenous incidents as a process. The ability of the firm to recover from reputational damage is consistent with our use of organizational resilience as the firm's capacity to recover or "the maintenance of positive adjustment under challenging conditions" (Vogus & Sutcliff, 2007: 3418).

Organizational Characteristics

Organizational resilience will be impacted by the incident as well as the state of the firm prior to the incident. Several organizational factors are likely to be associated with the presence of and the strength of a firm's organizational resilience: size, industry, and slack resources.

Size

The larger a firm is, the greater the public's awareness of it and the greater the level of stakeholder exposure (Brammer & Millington, 2006). Such firms are also in the public eye with greater media exposure and have a larger impact in society (Cowen, Ferreri, & Parker, 1987). Thus, firm size, which could be measured as the number of employees, revenue, or even geographic footprint or geographical reach, influences the degree of damage to the firm from incident.

P1a: The greater the size of the firm, the greater the blame on the firm and the greater the homeostatic deviation.

Industry

People have higher expectations for responsible behavior for firms that make things we consider staples as opposed to discretionary goods. People also have higher expectations for firms that make certain types of goods, usually those that by nature require the consumer to trust that the firm is doing the right thing, such as medical equipment, pharmaceuticals or tax preparation software. Considering the Nestlé's infant formula and Mattel lead paint in children's toys incidents, people may have higher expectations of firms that manufacture products for a more vulnerable population.

P1b: The greater the need for the product or service provided by the firm, the greater the blame on the firm and the greater the homeostatic deviation.

Slack Resources

We propose that a firm with greater resources is likely to be better equipped and able to mobilize these resources to react to an incident and mitigate the damage. Although the resources could be financial, it can also be capacity, competency, or other physical resources.

P1c: The greater the financial resources of the firm, the greater the blame on the firm and the greater the homeostatic deviation.

Incident Characteristics

Intentionality

Intentionality matters. In terms of assessing blame or making a moral judgment of individuals, "judgments or responsibility hinge on whether the action was done freely, knowingly, intentionally, independent of the morality of the action or the character of the person who performed it" (Elliott, 1996: 66). For example, the Volkswagen decision (Ewing, 2015) to use the deceptive equipment is worse or of greater concern than the Ford decision to continue manufacturing the Pinto, where no

laws or rules were being broken. The Ford decision itself is seen as worse than the decisions at General Motors and at Toyota where there (so far) is no evidence that management or engineers knew about the problem in advance of the vehicles being released to the public. However, when they did find evidence of the problem they attempted to cover it up for years, perhaps making their culpability only marginally worse than that at Ford. The firm would have even less culpability if there was no known intentionality nor evidence of a cover-up: In the Takata airbag recall, for example, the fault was laid with Takata who manufactured the airbags and not the automobile manufactures themselves (Tabuchi, 2014).

According to Cain (2015) and other observers, the scheme at Volkswagen seems to have been premeditated and to have originated at the top of the corporation. This is because of 1) the length of time the deception was in place; 2) the fact that VW's strategy heavily focused on the production and sales of diesel vehicles; and 3) the cleanliness of diesels was a theme in many of the VW ads for these vehicles. This degree of premeditation suggests a degree of intentionality that exceeds the other cases considered in this paper. In the other cases it was more a matter of the firm having to decide how to deal with an existing problem. Here the problem—the cheating and the resulting air pollution—were part of the corporate strategy.

The issue of intentionality (of Ford selling a lethally dangerous vehicle) is somewhat more nuanced than commonly assumed according to Gioia. Gioia notes that although the vehicle had performed poorly in crash tests prior to full scale production, so did other vehicles in its class. While Pintos exploded in crashes at a 25 mile per hour average, competitors' vehicles such as the AMC Gremlin and the Chevy Vega exploded on average at only a few miles per hour faster speed (Schwartz, 1991). In addition, when Gioia examined crashed Pintos he was not able to identify a defective part that was causing the crash—it was in fact a defective overall design-- and thus he was not able to convince the committee that had the authority to recommend a recall (Gioia & Trevino, 2005; Useem, 2016).

However, Mark Dowie (1977) in *Mother Jones* paints quite a different picture of the intentionality and culpability factor at Ford. He noted that Lee Iacocca, who was in charge of the project, had set an unusually tight schedule for engineering and production in order to get the Pinto into the market to counter competition in the compact car market. Dowie further went on to say that although engineers and managers were concerned about the disturbing crash test results, no one had the nerve to confront Iacocca with the bad news that had the potential to threaten the time schedule and the 2000 pound/$2000 goals. We contend that the managers' intentions, as perceived by the stakeholders, influence the degree to which the firm is blamed for the incident and increase the damage to the firm's reputation.

P2a: The greater the degree of perceived intentionality of the action, the greater the blame on the firm and the greater the homeostatic deviation.

Incident Intensity

Jones' (1991) concept of moral intensity addresses the situational factors that can influence moral judgments and the decision to act (Singer, Mitchell, & Turner, 1998, and others). Stakeholders may assess blame based on the intensity of the incident, some combination of the six factors Jones (1991)

identified: proximity, temporal immediacy, social consensus, magnitude of consequences, probability of effect, and concentration of effect. Previous literature has found that the magnitude of consequences and the probability of effect impact workers when deciding to report (Wang, Keil, & Wang, 2015). Temporal immediacy and proximity to victims indirectly affects decision makers (Wang et al., 2015).

Although it is difficult to assess and compare the 'intensity' of incidents, an overall comparison would suggest that the transgressions of Ford, GM and Toyota were clearly more serious than those of VW. The problems at Ford, GM and Toyota all resulted in multiple deaths, injuries, and extensive property damage but exact figures on the magnitude of these damages may never be known. This is because all three companies used a strategy of settling out of court with at least some of the plaintiffs who brought suit against them. Because of the popular legal tactic of having confidentiality agreements with such settlements there is no way to determine the number of cases settled this way. Moreover, in the fatal Pinto crash cases that went to court an issue that was often debated was whether the claimants died from the impact of the crash or the subsequent fire. This and technical issues related to the Toyota accelerator problem and the GM ignition switch problem add to the difficulty of moral intensity comparisons of the actions of these three companies.

Although the defects in the vehicles were difficult to visualize, the consequences of these problems were quite easy to see. It is a simple task to find photos on the Internet of many crashed Ford Pintos, GM, and Toyota vehicles, whose drivers and passengers allegedly were victims of the problems described in this paper. One can even find videos of exploding Pintos from crash tests that took place years before the Internet was in place.

With the increase in use of social media the GM and Toyota problems have become even more visible. The recorded 911 call of the off duty California state trooper whose uncontrollably accelerating Toyota crashed killing him and his family while he was requesting assistance had a galvanizing effect on the public and authorities. These parties became highly skeptical of Toyota's explanation of driver error or poorly fitting floor mats as the source of the vehicles' problems.

In contrast to the above cases the VW diesel fuel software problem is likely to have a lower intensity because the harm was not acute and associated with specific people or places. The damage to the natural environment may be great in the decades to come, but that damage is not visible, immediate, or proximate to any one group.

P2b: The greater the degree of perceived moral intensity of the incident, the greater the blame on the firm and the greater the homeostatic deviation.

Consequences

Unlike intentionality that is focused on the decision maker, and incident intensity, which addresses social perceptions of the moral intensity and potential harm, consequences may be any combination of physical, social, and economic harms. The outcomes of the incident will influence the degree to which the public and stakeholders place blame on the firm. The degree of damage influences the public's perception of how 'bad' the incident was and subsequent blaming of the firm.

The damage from the Volkswagen incident is generally seen as less than the damage from the Ford Pinto, as well as the GM and Toyota vehicles suffering from their respective problems. In the former incident, no physical damages to humans occurred, and the damage to the environment is hard to quantify and widely dispersed, although financial harm to individuals was concentrated focused on those who owned VW vehicles whose resale values were adversely impacted. In the Ford, GM, and Toyota incidents, deaths and injuries occurred along with property damage and these were all focused on individuals involved in the crashes, including some who were in other vehicles involved in crashes with the Pintos, GM, and Toyota vehicles.

It is difficult to quantify and make comparisons of physical, social, and economic harms, but the greater the overall damage of the incident is associated with the greater blame on the firms and thus the more resilience needed to recover.

P2c: The higher the level of damage (physical, social and economic) associated with the incident, the greater the blame on the firm and the greater the homeostatic deviation.

P2d: The higher the level of damage (physical, social and economic) associated with the incident, the greater the blame on the firm and the longer the period needed for the firm to reach recovery (or for positive adjustment to return to homeostatic level).

Stakeholder Capital

In addition to being embedded within a network of stakeholders, firms are also embedded in time such that previous firm actions may strengthen or weaken the stakeholder relationship and add or detract from social capital. Using the term stakeholder capital, we contend that firms that engage in corporate social responsibility (CSR) will accrue stronger stakeholder relationships and thus greater stakeholder capital. Previous studies have explored the positive relationship between corporate social performance (CSP) and social capital and goodwill (Jha & Cox, 2015; Lombardo, 2009).

It would be expected that firms that have established good relations with stakeholders through the practice of CSR are more likely to have generated a reservoir of goodwill among stakeholders. This stock of goodwill is expected to aid in the firm's ability to bounce bad from adverse events (Klein & Dawar, 2004) in part because of the strong effect expectations can have on perception. In this vein, some scholars have used the metaphor of corporate or brand insurance in discussing the effectiveness of historic CSR as a means to protect against negative appraisals after a negative incident (Vanhamme & Grobben, 2008: Werther & Chandler, 2005).

In contrast however, other scholars have pointed to the liability goodwill can be in the wake of a negative event. Zavyalova and colleagues (2016) pointed out that after a negative incident, firms with large stocks of good will are more likely to stand out, thus drawing more attention to the incident and negative incidents at firms with high levels of goodwill may result in a higher sense of violation by the firm's stakeholders. Whereas firms with low-levels of prior goodwill are unlikely to be held to the same standards, and thus in the wake of a negative incident are able to more easily return to prior-incident levels of operation (Bundy & Pfarrer, 2016).

P3a: The greater the value of stakeholder capital before the incident, the less impact organizational characteristics will have on homeostatic deviation.

P3b: The greater the value of stakeholder capital before the incident, the shorter the period for the firm to reach recovery (or for positive adjustment to return to a homeostatic level of normal conditions or relative to the industry).

Accountability, Response, and Resilience Processes

Acknowledgement and Apology

A firm's acknowledgement or lack of acknowledgement will impact the degree of blame on the firm or damage to its reputation. The sooner the firm acknowledges a problem, the less damage to there will be to the firm's reputation. Even if there was no intentionality on the part of the firm's management, blame increases the longer a firm waits to acknowledge a problem.

P4a: The quicker the acknowledgement of the incident, the less damage is done to the firm's reputation.

P4b: The quicker the firm issues an apology for the incident, the less damage is done to the firm's reputation.

Speed of Response

Response time matters. If the length of time between the incident and the acknowledgement of a problem is small, the damage to a firm's reputation will be less. The longer a firm takes to acknowledge and respond to a problem, the worse impact the incident has on the firm's reputation.

P4c: The quicker the response to mitigate damage from the incident, the higher the resilience for faster positive adjustment (to return to normal conditions).

Stakeholder Involvement

We define this factor 'learning with stakeholders' as a combination of transparency and inclusion of stakeholders in the learning process. Transparency of a firm's actions during and after an incident can help lessen the damage from an incident. The degree to which stakeholders are involved in the remedy may help lessen the damage from an incident. Because of the very close relationship between CSR and resilience, firms that involve stakeholders in deciding how to remedy the situation after an adverse incident are likely to find a better solution and implement it more quickly. When Nissan was trying to figure out how to help their suppliers and dealers in the Fukushima area as well as members of the general public after the triple disasters (earthquake, tsunami, and nuclear reactor meltdown) in 2011, Nissan asked its suppliers and dealers what was needed most in the area (Nunn, 2011). Toyota followed a similar approach used its electric-gasoline hybrid technology from the Prius vehicles to reduce the strain on the electric grid in the wake of the disasters (Rodríguez & Sanchez, 2012).

P4d: The greater the transparency of communication and inclusivity of stakeholders in the response activities, the higher the resilience for positive adjustment (to return to normal conditions).

CONCLUSION

Organization resilience, as we conceptualized the construct is multi-dimensional, and related to concepts of reputation and stakeholder capital. Management scholars are calling for more research and understanding of organizational resilience (e.g., Linnenluecke, 2013, and van der Vegt, Essen, Wahlström, & George, 2015). In this paper we proposed a model with which to frame research on organizational resilience at the firm-level by considering the organizational characteristics prior to an incident, the incident characteristics, and the responses of the firm during and after the incident. Thus while we draw on the CSR, corporate reputation and stakeholder and social capital literatures, we distinguish resilience as encompassing these resources and developing a capability to sustain itself and bounce back after a shock resulting from errors in judgment or poor intentional or unintentional decision-making by a firm's executives.

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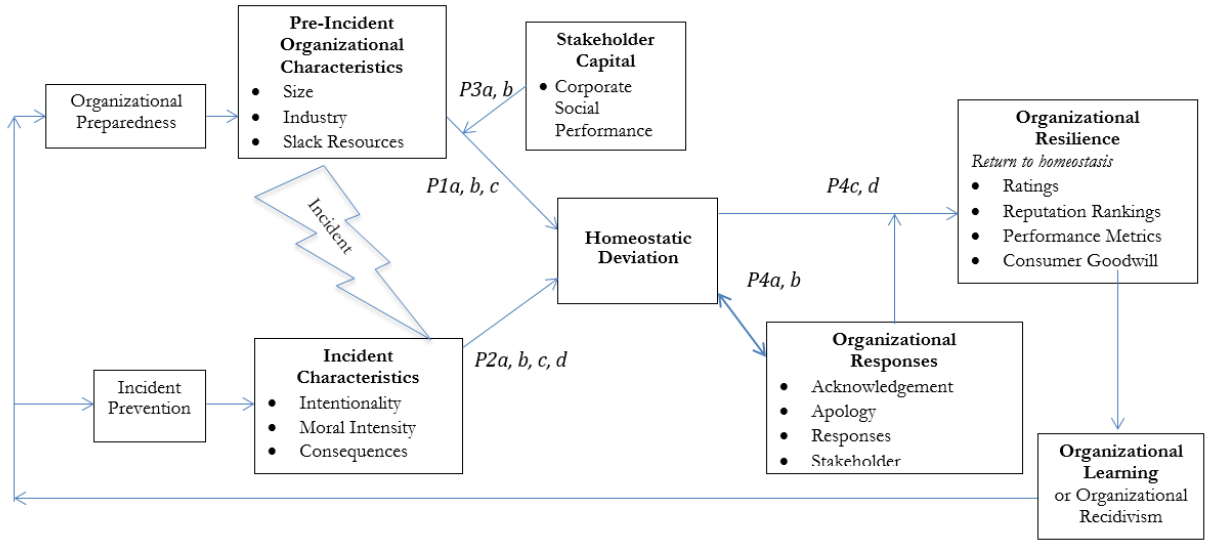
Figure 1. Conceptual Model of Organizational Characteristics and Responses Contributing to Organizational Resilience to Endogenous Incidents



CONFERENCE CHAIR REMARKS

Brad Agle, Conference Chair for IABS 2016

What a joy it is to report on the 27th annual conference of the International Association for Business and Society. As one of the founding members of the organization, and presenter at the first conference in San Diego, it was a distinct honor and privilege for me to chair the conference. 145 registrants and their guests enjoyed several beautiful sunshine filled days at the gorgeous resort of Deer Valley in Park City, Utah. The weather in the low to mid 70's F couldn't have been any nicer. Fortunately, the interactions with fellow conferees provided an even warmer feel for all of us.

The conference began on Monday, June 13th with the first ever IABS Writing Camp. Due to her great mentorship of so many IABS scholars, we named the camp the "Donna Wood Writing Camp." We were so grateful that Donna was there as an active participant at the camp. 30 participants spent Monday through Wednesday writing away, many with co-authors. My fellow University of Washington PhD student and now colleague at BYU, Paul Godfrey, provided a theory-building workshop on Monday and Tuesday evenings that was attended by over half of the writing camp participants. He then magnanimously worked all day Wednesday with anyone who wanted help with writing. During the camp we enjoyed breakfasts, lunches, and some evening time together in a large hospitality suite. Some even got in some table tennis on the sundeck.

Thursday began the official program with the Doctoral Consortium and the new Junior Faculty Consortium. The 8 members of the Doctoral consortium joined together with the 15 members of the Junior Faculty consortium for several of their activities. Thank you to Junior Faculty Consortium Chairs Ron Mitchell and Michael Cummings, and Doctoral Consortium Chairs Steve Pavelin, Michelle Westermann-Behaylo, and Judith Schrempf-Stirling. After the consortium we had a marvelous presentation on business ethics by Bill O'Rourke, a retired executive at Alcoa, and the inaugural President of Alcoa Russia. Participants remarked on how refreshing it was to hear an executive who had such courage and went to so much effort to do the right thing in situations where that was not easy to do. Thursday evening provided a lovely reception at the Snow Park lodge along with exclusive use of the ski lift up the mountain. We saw a lot of smiles on that ski lift!

All day Friday, and Saturday and Sunday mornings, we enjoyed stimulating scholarly presentations and discussions. These sessions ranged from innovative sessions utilizing the great outdoors, to traditional paper and discussion sessions on topics such as social innovation, business ethics, business-government interaction, human rights, and sustainability, to workshops on topics such as corporate governance, and the interaction between religiosity and business ethics.

At the business meeting we were pleased to present the following two awards:

BYU IABS Best Article Award for 2014 - Frank den Hond, Kathleen A. Rehbein, Frank G. A. de Bakker, and Hilde Kooijmans-van Lankveld

"Playing on Two Chessboards: Reputation Effects between Corporate Social Responsibility (CSR) and Corporate Political Activity (CPA)"

2016 Deakin Business School Prize for Best Conference Paper - Tima Bansal & Garima Sharma

"Making Social Issues Count: How Businesses Address Social Issues in Strategic Decision-Making"

Saturday afternoon brought the traditional social outings. Large organized groups hiked the mountain, went to the LDS Humanitarian Center and Temple Square in Salt Lake City, and participated in the activities at Olympic Park. Friendships were forged and deepened, new research teams were launched, and even a little service was provided as Jill Brown graciously offered to take a picture of Mitt and Ann Romney and their grandchildren, who she ran across on the hike. The Saturday evening banquet once again provided the highlight of the conference. Held at the Park City Olympic Park, we enjoyed a wonderful meal followed by a mesmerizing show by the Flying Aces, a group of trick ski jumpers made up of Olympic and aspiring Olympic skiiers. Their talents made for a great splash, both figuratively and literally as they landed in their specially designed pool.

As most of you are aware, a conference undertaking such as this one is a team effort. I would like to thank my conference planning committee consisting of MC Ingerson, Kim Rodela, my wife Kristi, and my daughter Amanda and her husband Phillip Stafford. They all worked diligently on the facilities, program, logistics, food, registration, and AV. The IABS leadership team also provided great support and encouragement. Thank you to the 125 reviewers listed below, as well as our awesome session chairs. Special recognition goes to our two conference sponsors, The Centre for Sustainable and Responsible Organisations (CSaRO) at Deakin University and the Wheatley Institution of Brigham Young University, both of whom made $5000 contributions to the conference. I also thank the Romney Institute at Brigham Young University for its annual $5000 sponsorship of the IABS organization.

IABS strives to be a place for scholars who care - care about how their work effects the world for the better, care about helping their students improve, care about lifting their colleagues in their research efforts, and care about each others' general welfare. The amazing care I received as a junior scholar from IABS members so many years ago has been key to my career achievements. I'm grateful for the opportunity to try and give some of that back. See you in Amsterdam!

27th Annual IABS Conference
Business and Society at the Crossroads
June 16 - 19, 2016
Park City, Utah

Program at a glance

Thursday, June 16		
8:00 a.m. - 12:00 p.m.	IABS Board Meeting	Aspen
9:00 a.m. - 4:00 p.m.	Doctoral Consortium	Spruce A
9:00 a.m. - 4:00 p.m.	Junior Faculty Consortium	Spruce B
4:30 p.m. – 5:30 p.m.	Keynote Address – Bill O'Rourke	Evergreen
6:00 p.m. – 8:00 p.m.	Welcome and Opening Reception	Snow Park Lodge
9:00 p.m. – 10:30 p.m.	Hospitality Suite	6443 Silver Baron Lodge
Friday, June 17		
7:00 a.m. – 8:30 a.m.	IABS Fellows' Breakfast Meeting	Aspen
7:00 a.m. – 8:30 a.m.	Breakfast	Evergreen
8:30 a.m. – 10:00 a.m.	Concurrent Sessions	Meeting Rooms
10:00 a.m. – 10:30 a.m.	Morning Break	Brass Tag
10:30 a.m. – 12:00 p.m.	Concurrent Sessions	Meeting Rooms
12:00 p.m. – 1:30 p.m.	Luncheon	Patio
1:30 p.m. – 3:00 p.m.	Concurrent Sessions	Meeting Rooms
3:00 p.m. – 3:30 p.m.	Afternoon Break	Patio
3:30 p.m. – 5:00 p.m.	Concurrent Sessions	Meeting Rooms
5:00 p.m. – 6:00 p.m.	IABS Business Meeting	Evergreen
6:00 p.m.	Ph.D. Student Dinner (with IABS Board & Fellows)	
9:00 p.m. – 10:30 p.m.	Hospitality Suite	6433 Silver Baron Lodge
Saturday, June 18		
7:00 a.m. – 8:30 a.m.	BAS Editorial Board Meeting	Aspen
7:00 a.m. – 8:30 a.m.	Breakfast	Evergreen
8:00 a.m. – 12:00 p.m.	IABS Registration	
8:30 a.m. – 10:00 a.m.	Concurrent Sessions	Meeting Rooms
10:00 a.m. – 10:30 a.m.	Morning Break	Brass Tag
10:30 a.m. – 12:00 p.m.	Concurrent Sessions	Meeting Rooms
Afternoon	Free Time for Excursions	
5:15 p.m. – 6:00 p.m.	Buses Leave for Gala Banquet	Lodges at Deer Valley
6:30 p.m. – 9:30 p.m.	Gala Conference Banquet	Park City Olympic Park
10:30 p.m. – 11:30 p.m.	Hospitality Suite	6443 Silver Baron Lodge
Sunday, June 19		
7:00 a.m. – 8:30 a.m.	Breakfast	Evergreen
8:30 a.m. – 10:00 a.m.	Concurrent Sessions	Meeting Rooms
10:00 a.m. – 10:30 a.m.	Morning Break	Brass Tag
10:30 a.m. – 12:00 p.m.	Concurrent Sessions	Meeting Rooms
12:00 p.m.	Conference Adjourns	

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Friday, June 17, 2016

Author/Presenter	Title
Jo Crotty, Diane Holt	*If There Is Nothing to Hide Behind then Look Like Nothing: Towards a Typology of Camouflage Strategies for CSR*
Maria Jose Murcia, Jorge M. Tarzijan, Rajat Panwar	*Corporate Social Responsibility and the shifting boundaries of the Firm*
Thomas Kayaert, Nikolay Dentchev, Philippe Eiselein	*Factors of influence on the implementation of CSR in local municipalities: The case of Brussels*
Haiying Lin	*Public-Private Partnerships for Radical Eco-innovation*
Jessica Nicholson, Eliabeth C. Kurucz, Barry A. Colbert	*The Role of Caring in Scaling Social Enterprise Initiatives*
Denise Klenrichert	*Social Entrepreneurship - Crossroads and Intersections*
Sandra Wadock, Shawn Berman, Jerry M. Calton, David Wasieleski, Dawn R. Elm, Colin Higgins, Dima Jamali	*Business IN Society at the Crossroad: What Road(s) should we take?*
Jana Craft	*Stop Killing Your Audience: How to Create Powerful Presentations*
Jennifer DeBoer, Rajat, Jorge Rivera	*Pristine Neighborhoods, Progressive Neighbors: Toward a Place-Based Understanding of Firms' Voluntary Environmental Behaviors*
Ryan Burg	*Failing at Climate Change*
John Jermier	*Corporate Greening and Greenwashing*
Vanessa Hill, Harry Van Buren	*Taylor won: The triumph of scientific management and its meaning for business and society*
Colby Green	*Institutional Constraints on the Returns to Corporate Political Activity*
Marc-Charles Ingerson, Kristen DeTienne	*Pro-Social Framing Effects in Business and Society*
Gyung Jun	*Business Ethics: A Korean Perspective*
Barrie E. Litzky, William P. Smith, Lynne Andersson	*Stay with Me: An Investigation into the Durability of Social Capital Accumulation for Urban Entrepreneurs*
Scott Hammond, Mark Widmer, Lisa Jones Christensen	*Ethics at the Crossroads: Lessons from Wilderness and Work*
Eshani Beddewela	*Integrating Perspectives of Non-Market Strategy: Corporate Political Activity and CSR*
Rui Yang, Andrew Millington	*An investigation into the role of CCI in the context of CPA*
Zachariah J. Rodgers	*Cui Bono: When do Organizations Obtain Favorable Legal Environments Despite Contradictory Stakeholder Interests? A study of U.S. Merger & Acquisition Antitrust Regulation*
Xuanwei Cao	*A Corporate Political View of Sustainable Entrepreneurship: The Coevlution of Entrepreneur Opportunity and Institution*
Tae Wan Kim, Vikram Bhargava	*The Problem of Managing Under Moral Uncertainty*
Darin C Gates	*Self-Deception and Moral Discrepancy*
Jared Peifer, Anne-Laure Winkler	*Stakeholder Morality and Loyalty to CSR Firms*
Bradley Owens, Sam Yam, Jeff Bednar, Martin Mao Huazhong	*Modeling How to Grow More Ethical: The Impact of Leader Moral Humility on Follower Moral Self-Efficacy adn Behavior*
Hilary Hendricks, Brad Agle, John Bingham, Gabrielle Cunningham	*Stakeholder Salience for Employees: An Individual-Level Conceptualization of Who and What Really Counts*
Christine Shropshire, Jonathan Bundy	*Shareholder Voting as Governance Intervention*

Matthew Anderson	*An experiment in social justice: an exploratory study of governance and participation within Fairtrade and Consumers International*
Shaun Hansen, Jim Davis, Matthew Mouritsen, Grant Savage	*Business & Society at the Crossroads: The Future of Research at the Intersection of Stakeholder and Trust Theories*
Toby Li, Colby Green	*The Role of Timing in CSR Reporting During Merger Waves*
John T. Haynes, Linda C Rodriguez	*EMERGENCY, EMERGENCY! Local Emergency Manager Perspectives On Parntnerships with Defense Services for Emergencies*
Michael Cummings, Hans Rawhouser	*Intrastate Equity Crowdfunding: Balancing Access to Capital and Investor Protection*
Bruce Klaw	*From Regulation to Participation: The Prospects for Stimulating Corporate Social Responsibility Through U.S. Government Equity Investment in Private Business*
Caddie Putnam Rankin, Todd Matthews	*Benefit Corporation Certification: Mechanisms of Legitimacy in Two Industries*
Maretno Harjoto	*Corporate Social Responsibility and Corporate Fraud*
Ian Maitland	*A critical look at the idea of principal costs*
Jerry Calton, Linda Sama, Stephanie Welcomer, Mark Haggerty, Nate Vineyard	*Developing Local and Global Food Networks as Communities of Practice: An Action Learning Agenda*
Mchael Kohlgruber	*The diffusion of sustainable business model innovations in retail logistics from an institutional theory perspective*
Florian Jaeger, Steffen Strese	*Integrating institutional and resource-based perspectives: An empirical reexamination of corporate sustainability*
Patsy G. Lewellyn, Jeanne M. Logsdon	*How Sustainability Reporting is Maturing: A Preliminary Assessment of the Impact of GRI's G4 Guidelines*
Jamie O'Neill	*Stakeholders' Credibility Perceptions of Companies' Sustainability Disclosures*
Annie Powell, Johanne Grosvold, Andrew Millington	*Beyond strategic intentions: the role of internal agency in determining policy enactment or organizational decoupling*
Tammy MacLean, Barrie Litzky, Michael Behnam, Lynne Andersson	*Minding the Gap(s): Unintended Consequences of Decoupling*
Rodger Adair	*Effects of Life-Threatening Illnesses on Leader-Follower Relationships*
Sean Costello, Jon Westover	*Examining Leadership of the Global Millennial Generation in the Workplace*
Jim Salas, Maretno Harjoto	*Corporate Social Responsibility, Brand Value, and Brand Preservation*
Jegoo Lee, Sang-Joon Kim	*Does Money Really Talk? Testing Slack Resource Mechanism of Corporate Responsibility*
Nicholas Schlereth, Shawn Berman	*Applying French corporate social responsibility reporting laws to NCAA member institution athletic departments*
Virginia Munro, Denni Arli, Sharyn Rundle-Thiele	*CSR Strategy at a Crossroads: An example of a USA based Multinational in Developing and Developed Societies*
Scott Hammond, Lisa Jones Christensen	*Shades of Brown: A Model of Ethical Shifts Related to Diminishing Resources*
James Weber, Michael Urick	*Dissecting the millennials' Ethical Profile: Searching for Demographic Variations in their Personal Value Orientations*
Cary Silberman, Marc-Charles Ingerson, Inna Zavgorodniy	*Reconceptualizing Advocacy in Business Law*
Marc-Charles Ingerson	*Ethical Consistency in Business and Society*
Kathleen Rehbein, Tricia olsen, Michelle Westermann-Behaylo, Harry Van Buren	*Benchmarking Corporate Efforts to Address Human Rights*
Andy Crane, Rob Phillips, Jill Brown, Stephen Pavelin	*Meet the Editors: From R&R to Publication*
Jae Hwan Lee, Ronald K. Mitchell, Roy Howell	*Value Creation: Stakeholder Engagement An Empirical Examination of Stakeholder Work*
Jared Harris	*Leaning Into the Wind: Stakeholder Relationships and Organization Resilience*
Mohammad A. Ali, Anne-Laure Winkler	*Not all organizations are stakeholder organizations: An exploration of the creation, maintenance, and perpetuation of a stakeholder culture*

Jay Barney	*Why the Field of Strategy Must Adopt the Stakeholder Perspective*

Saturday, June 18, 2016

Authors/ Presenters	Title
Jill Brown, William Forster, Andrew Wicks	*The Social Entrepreneur: The Importance of Moral Imagination, Microsocial Norms and Moral Legitimacy in Managing Stakeholder Perceptions*
Philippe Eislein, Nikolay Dentchev	*Social Entrepreneurship: A Literature Review*
Andy Silva, Robbin Derry	*Sustainable Business Development Through identity Building and Environmental Legislation*
Alice Alessandri, Alberto Aleo	*The Circle of Trust: Building and maintaining customer relations*
Olu Aluko, Eshani	*The Governance of Corporate Social Responsibility: Power dynamics of Multi-Stakeholder Initiatives*
Pratima(Tima) Bansal, Garima Sharma	*Making Social Issues Count: How Businesses Frame Social Issues in Strategic Decision-Making*
Natalie G. Vidal, Sabrina D. Valpone	*Process of Identification Between Member Companies and Corporate Responsibility Coalitions*
Stelios Zyglidopoulos, Naomi A. Gardberg	*Corporate Philanthropy, Corporate Reputation, Environmental Munificence and Performance*
Zhifeng Chen, Stephen Pavelin, Lynda Porter	*The Insurance Case of Corporate Social Responsibility (CSR): Is ambivalence the key?*
Derek Kirchoefer, Ben Lewis	*Do Legacy Concerns Influence Managerial Decisions About the Environment?*
Haroon ur Rashid Khan	*A Structural Equation Model of CSR and Performance: Mediation by Innovation and Productivity - A Comparative Study*
Eli C.S. Jamison	*Considering the Power of the "Social" in Corporate Social Responsibility (CSR): power as Enabling Pre-Condition for Meaningful CSR in Alabama's Poultry Industry*
John Holcomb, Jeff Lenn, Bruce Klaw	*Rediscovering the Corporation as a Person*
Jim Weber, Craig Dunn	*Open Mike IV: A forum for discussing how our teaching discusses "business and society at the crossroads"*
Milton Sousa, Bryan W. Husted	*Casual Ambiguity and CSR Capabilities: A Theoretical Overview*
Ben Lewis	*The Paradox of Recognizing Responsibility: Why Positive Social Ratings Can Lead to Reductions in Corporate Social Performance*
Janet L Rovenpor, Poonam Arora, Irina DeBonis	*"Make Love Not War:" Changing the Language of Business to Promote Greater Sustainability*
James C. Brau, Rebekah Inez Brau	*The Ethicality of the Goal of the Firm: Shareholder Wealth Maximization*
David Cherrington, Kristen Bell DeTienne	*Conflicts of Interest in Business and Society: The Limits of Disclosure in Behavioral Ethics*
Ian Maitland	*Ethics and Profits*
Pepe Lee Chang, M. Ronald Buckley	*Substance over Style: Establishing the Intrinsic Worth of Triple Bottom Line Values*
Garima Sharma, Anand Kumar Jaiswal	*Resourcing Time: Navigating the Time Paradox in Bottom of the Pyramid Projects*
Solange Hai, Richard L. Daft	*When Missions Collide: The Hybridization Movement and the Challenge of Sustaining a Strong Social Mission*
Virginia Gerde, Manisha Singal, Rich Wokutch	*Exploring the Antecedents of Organization Resilience: A Conceptual Approach*
Linda Sama, Stephanie Welcomer, Mark Haggerty, Jeff Thompson, Aaron Miller	*Classrooms Without Borders: Bringing Business Students to Society*
Harry Van Buren, Michelle Westermann- Behaylo, Judith Schrempf-Stirling	*The UN Guiding Principles on Business and Human Rights: A Tool of Plausible Deniability or Ethical Commitment? The Case of Human Trafficking*
Michelle Westermann-Behaylo, Kathleen Rehbein, Tricia Olsen	*Decoupling or Muddling Through: Understanding Human Rights Violations in the Oil and Gas Industry*
Robert Anderson	*Indigenous Peoples' Participation in the Global Economy: Sustainable Development on their own Terms?*

Sunday, June 19, 2016

Authors/ Presenters	Title
Lori Verstegen Ryan	*Corporate Governance Research Workshop XII*
Nikolay Dentchev, Amparo Merino, Jo Ann Oravec, Solange Hai and Daniel Arenas, Xaver Neumeyer, Kevin McDermott, Elizabeth Kurucz, Barry Colbert	*Social Entrepreneurship as a Vehicle for Sustainability*
Maurice J. Murphy, Brad Agle, James Weber, Jason B. MacDonald, Harry J. Van Buren III, Brandon Vaidyanathan, Jared L. Peifer, Giselle E. Antoine, Hayfaa Tlaiss	*Religiosity and Business Ethics*
Alan Christensenson, Marc-Charles Ingerson	*Business, Religion, and Pro-Social Behavior in the Workplace*
Tara Ceranic Salinas, Melissa Baucus, Jill Brown, Vanessa Hill, Jeff Thompson, Harry Van Buren III	*Teaching Business & Society at the Crossroads: A Pecha Kucha Session Exploring Innovative Pedagogies*
Bradley Murg, Mark Meaney	*PRME and IABS: A Natural Fit?*
Holly Fairbairn, Stephen Pavelin, Haiming Hang	*How can social interactions differently affect reputation judgments of CSR, compared to judgments of corporate capabilities?*
Kareem M. Shabana	*Punctuated Equilibrium Processes of Institutionalization of informal Governance Mechanisms; The Case of Corporate Social Responsibility Reporting*
Kostas Iatridis, Anna Farmaki	*Tourism and CSR: A Foucauldian ethics perspective on teh role of CSR Consultants*
Shalini Jain, Jill Purcy	*Differential Adoption of Explicit CSR is an Emerging Economy*
Anne Barraquier	*Can Complex Knowledge Be Used Deceitfully in Organizations? A Case Study in Highly Regulated Industry*
Jo Ann Oravec	*Profiting from Privacy: Critical Analyses of Business Initiatives involving personal privacy and Information Control*
Jae Hwan Lee, Hans Hansen	*Expansion of Corporate Rights: Corporate Freedom Speech Right*

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IABS LEADERSHIP

IABS Board Meeting Attendees: 2015-2016

Elected members:
Immediate Past President – Melissa Baucus, (Texas State University)
President – Colin Higgins (Deakin University)
President Elect – Vanessa Hill (University of Louisiana)
Conference Chair – Brad Agle (Brigham Young University)
Conference Chair Elect – Karen Maas (Erasmus University Rotterdam)
Representative at Large (2013-2016) – Judith Schrempf-Stirling (University of Richmond)
Representative at Large (2013-2016) – Anne Barraquier (Skema Business School)
Representative at Large (2014-2017) – Jill Brown (Bentley University)
Representative at Large (2014-2017) – Michelle Westermann-Behaylo (University of Amsterdam)
Representative at Large (2015-2018) – Robert Phillips (University of Richmond)
Representative at Large (2015-2018) – Barrie Litzky (The Pennsylvania State University)

Appointed members, voting:
Fellows Representative #1 – Jim Weber (Duquesne University)
Fellows Representative #2 – Jamie Hendry (Bucknell University)
Membership Director – Tara Ceranic (University of San Diego)
Publications Committee Chair - Andrew Crane (York University)
Treasurer – Jeanne Logsdon

Appointed members, non-voting:
Operations Manager – Kim Rodela
Secretary – Anke Arnaud (Embry-Riddle Aeronautical University)
Audit Committee Chair - Patsy Lewellyn (Univ of South Carolina – Aiken)

Ex officio members:
Business & Society Editor – Andrew Crane (York University)
Proceedings Editor – Craig VanSandt (University of Northern Iowa)
Newsletter Editor – Caddie Putnam Rankin (University of Maryland Eastern Shore)