

DIANE L. SWANSON

# CSR DISCOVERY LEADERSHIP

Society, Science and Shared  
Value Consciousness



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Diane L. Swanson

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Society, Science and Shared Value  
Consciousness

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*To William Crittenden Frederick, with admiration for his visionary scholarship and for his role as one of the beloved founders of Corporate Social Responsibility research and practice.*

*To Christopher William Scott, my son, with love and appreciation for his many talents, which include caring fatherhood, business acumen, creative wordsmithing, and a love for learning and critical thinking.*

*To scholars in Business and Society, Business Ethics, and other fields who have long labored to articulate a role for business that serves community flourishing.*

*Finally, to G. C., with gratitude.*

# Preface

My journey to penning this book began when I studied economics in a Masters of Arts degree program at the University of Missouri at Kansas City in the U.S in the 1980s. This program provoked critical thinking, which is what universities are supposed to do. It did so by delivering economics coursework from vastly different schools of thought. For instance, the neoclassical coursework that I took did not necessarily agree with the Keynesian model, and the theoretical constructs in the former most assuredly did not cohere with the Marxist and institutional theories I encountered. I found this exposure to be stimulating. It prompted my understanding that theories should be approached with a healthy dose of skepticism. I learned to examine their assumptions carefully, since conclusions and policy prescriptions are drawn from them. I concluded that the formulation of choice assumed in neoclassical economics is not cogent, notwithstanding the theory's theoretical elegance. Neoclassical or standard economics assumes that an individual will try to maximize utility or satisfaction by pursuing pleasure and avoiding pain. I found this to be a facile explanation of human behavior that sidesteps advances in social science, especially since standard economics presents individuals to be atomistic and freestanding in markets that are separated from communities. Moreover, this formulation of choice is understood to be value-free, even though its claim that narrow self-interest tends to generate the greatest good is not. Nor is its prescription that markets should be left

alone to function without much oversight, so that society enjoys the greatest amount of satisfaction. To promote that much freedom for the business sector is hardly a value-free proposition.

I concluded that this line of reasoning could be invoked to excuse a lack of responsibility on the part of business. Yet this possibility seemed to elude orthodox economists and business pundits influence by them. Certainly the public at large in the U.S. had long embraced the desirability of narrow self-interest in business. I could not. I wondered how a theory of choice that so deliberately sidesteps the need for humans to have empathy and regard for each other in communities could be a standard for *anything*, much less function as a guidepost for business. This question dogged me while I studied various strands of economics, and the seeds for this book were thus planted in my mind.

A decade and a half after completing my graduate degree in economics, I embarked on doctoral studies in Business Administration at the Katz Graduate School at the University of Pittsburgh in the U.S. There I revisited my question while specializing in corporate social responsibility and business ethics. I was very fortunate to be mentored by William C. Frederick, one of the founders of corporate social responsibility, who encouraged me to think about a theory of choice more suited to business decisions aimed at serving the social good. My exploration of this subject was reflected in my dissertation and subsequent publications.

More recently, the belief that amoral self-interest in business is good for society has waned, especially in the aftermath of unprecedented corporate and banking scandals during the first decade of the twenty first century. The impact of these scandals has been to call attention to the community-enhancing values that business should serve. As a result, business executives are increasingly expected to adopt a new mindset, one capable of discovering how to direct their firms toward socially responsible ends. To do so, they must envision their firms to be integral to the fabric of society, instead of freestanding entities fueled by narrow self-interest. By extension, they must exhibit other-regarding systems thinking and be adept at value analysis.

The need for executives to adopt this mentality and help bring business and society into what I call a “unified field of shared value consciousness” is what this book is about.

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# Abbreviations

AACSB	Association to Advance Collegiate Schools of Business
AI	appreciative inquiry
AICBE	Aspen Institute Center for Business Education
BP	British Petroleum
CED	Committee for Economic Development
CEO	chief executive officer
CIRS	Center for Industrial Research and Service
CSP	corporate social performance
CSR	corporate social responsibility
CSR1	corporate social responsibility research, phase one (1950s to 1960s)
CSR2	corporate social responsibility research, phase two (1960s to 1970s)
CSR3	corporate social responsibility research, phase three (1980s to 1990s)
CSR4	corporate social responsibility research, phase four (1990s to 2000s)
EPA	Environmental Protection Agency
FBI	Federal Bureau of Investigation
FDA	Food and Drug Administration
GRI	Global Reporting Initiative
HBRAS	Harvard Business Review Analytic Services
J&J	Johnson & Johnson
MNEs	multinational enterprises
NBES	National Business Ethics Survey
NGO	nongovernmental organizations

**xiv      Abbreviations**

NIABY	not in anyone's backyard
NIMBY	not in my back yard
SMEs	small and medium-sized firms
SRI	socially responsible investments
TBL	triple bottom line
TEEB	The Economics of Ecosystems and Biodiversity
UN	United Nations
3Ps	planet, people, profit

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# 1

## The Transformative Potential of CSR Discovery Leadership

Many years ago, I was intrigued by Morris Berman's (1981, 1989) thesis that the human mind had been altered profoundly by a loss of meaning that accompanied the Scientific Revolution. According to Berman, the story of the mind in the modern era has been one of progressive dissociation, because modern consciousness does not recognize elements of mind or spirit in the objects surrounding it.<sup>1</sup> Instead, the modern mind tends to divide subjects from objects, self from others, facts from values, means from ends, and humans from nature. Perhaps the most well-known expression of this *dissociation* or *separation problem* is René Descartes's work that strictly separates mind from matter (Sullivan, 1949; Whitehead, 1925). Due to this penchant for Cartesian dualism, most humans no longer have participating consciousness based on a holistic sense of being in the world. Instead, non-participating consciousness, or what I will call "separation consciousness," distinguishes the modern period in the West that inherited a seventeenth century world-view that perceives nature and social relations to be outside one's self and subject to objectification and manipulation. In contrast, people throughout the Middle Ages saw themselves as continuous with their environments (Berman, 1981, p. 159). Max Weber (1958), the well-known political

and social theorist, borrowed from Friedrich Schiller to refer to this change in mindset as the “disenchantment of the world.”

Specifically, Weber theorized that the Scientific Revolution, along with the Protestant Reformation, resulted in a reliance on rationalism, secularization, and bureaucracy that banishes mystery in favor of a world that humans can know, predict, and manipulate. In the words of one scholar:

For Weber the disenchantment of the world lay right at the heart of modernity. In a disenchanted world everything becomes understandable and tameable, even if not, for the moment, understood and tamed. Increasingly the world becomes human-centred and the universe—only apparently paradoxically—more impersonal. (Jenkins, 2000, p. 12)

Other scholars add:

The problem with the Cartesian model that creates a dualism of nature and society is that it limits what questions can be asked and what can be known while reproducing an ontological understanding of society as distinctive spheres. (Marley & Fox, 2014, p. 259)

## **Separation Consciousness Depreciates Corporate Social Responsibility**

In this book, I propose that separation consciousness has run its course, especially given the rigidly distinctive spheres it reproduces for business and society. More pointedly, I argue that this dissociative mindset has been instrumental in keeping a collective demand for corporate social responsibility (CSR) at bay, despite a pressing need for it (see Swanson, 2017). Put differently, separation consciousness depreciates or diminishes the potential for corporate social responsibility. Consider, for instance, the removal of Appalachian mountain tops in the United States by explosive techniques that cause toxic downstream effects that greatly harm humans, animals, and the physical environment. As of this writing, coal companies continue to remove these ancient mountain tops, first formed roughly 480 million years ago, to retrieve thinner seams of coal that

remain after decades of intense underground mining (Kincaid, 2014). This practice, which involves deforestation and blasting techniques, has already scarred large areas of the Appalachian landscape forever. Would humans who perceive that they are deeply connected to each other and the natural environment stand for such practices? Would they view the air pollution that leads to acid rain, global warming, smog and the depletion of the ozone layer to be “business as usual,” despite the attendant harm to human health and the natural environment? Would they view the trash vortex in the central North Pacific Ocean, estimated by some to be the size of Texas (see Johnston, 2012), consisting of plastic, chemical sludge and other debris to be of no concern? Of course, we can scrutinize the legal system and public policy to understand why such practices are allowed and even encouraged in some cases. We can also look to who benefits from such practices. In the case of mountain top removal, beneficiaries encompass mining CEOs, stockholders, creditors, and workers (although fewer workers are required for mountain top removal than for underground mining). Needless to say, it is important to understand such vested interests. Even so, an existential question remains: What kind of human consciousness tolerates such irreversible devastation of its social and ecological environments?

Taking a cue from Morris Berman (1981), the answer is that it is a consciousness influenced more by a sense of separation from the world than by a deeply felt association with it, the latter representing what I refer to as “unity consciousness.” Not that all humans accept business practices that harm their social and natural environments. The point is that separation consciousness conditions humans to be less sensitive to the injuries than they would otherwise be. This state of consciousness is tacitly appealed to whenever someone invokes Milton Friedman’s (1962, 1970) famous assertion that the only responsibility of corporations is to maximize stockholder wealth, a sentiment that has long been invoked to artificially separate the business sector from society at large. This sense of separation is not innocuous. It rationalizes the removal of ancient mountain tops in parts of Appalachia instead of encouraging the development of benign wind farms that would be well suited to that landscape (see Smith, 2008). More pointedly, separation consciousness reinforces the *Not in My Back Yard* (NIMBY) syndrome that induces people to believe

that if the wreckage does not take place in their immediate neighborhoods, then it does not concern them. This discernment is an illusion, especially when the harm is clearly systemic. For instance, toxicity from oil sludge, a byproduct of mountain top removal, can contaminate downstream water systems (Butler, 2009). However, if people do not perceive that they are intimately connected to the environment that is despoiled and the other humans harmed, then a collective resistance to such practices is unlikely. Said differently, the illusion of separation enforces a dangerous status quo.

The worn out phrase that “business ethics is an oxymoron” also shores up separation consciousness by implying that the *facts* of corporate activity cannot be evaluated in terms of life-sustaining community *values*. The habit among some managers to refuse to talk about their decisions in terms of values or moral standards, even when such standards are actually guiding their actions, is representative of this fact-value dualism. It is no secret that many managers are reluctant to publicly acknowledge the ethical dimensions of their work (Bird & Waters, 1989, p. 73; see also Drumwright & Murphy, 2013; Jackall, 1988). Amitai Etzioni (1988) blames proponents of standard economic theory for promoting this fact-value dualism and the amoral management that perceives business decisions to be value-free. During the past two or so decades, a growing number of business and society scholars have criticized this value-free tradition, especially as it affects their research. Indeed, an entire issue of *Business Ethics Quarterly* was devoted to this subject in 1994, with William C. Frederick (1994, p. 111) introducing it by asking scholars to consider the role of values in empirical research.

Long before this publication, Frederick (1986), considered to be one of the founders of corporate social responsibility, had called attention to the innately value-laden aspects of business and society research by observing that:

Many scholars who investigate the relationships between business and other institutions in society realize that they must ultimately deal with normative or ethical matters. As a result of this inherently normative character of their work, they incur a threefold responsibility. Part of that



responsibility is to make clear the values that are at stake as business and society interact with one another. Another part of the scholar's responsibility is to identify where one stands with respect to those values. The third responsibility is to use one's scholarly knowledge to point out to business practitioners the moral consequences of pursuing the values they and their companies hold. In short, those who study social and ethical issues in management are compelled to form and to declare moral judgements concerning those issues. This moral imperative arises from the inherently normative nature of the topics being studied. (p. 126)

R. Edward Freeman (1984), who originally detailed stakeholder theory, claims that most business theories do just the opposite. That is, they separate business decisions from ethical decisions, a blunder that he and others (Harris & Freeman, 2008; Wicks, 1996) refer to as the "separation fallacy" that parallels the partitioning of "the descriptive" (facts) from "the normative" (ethics and values). Thomas Donaldson and Lee Preston (1995) further refute the separation fallacy by adding that stakeholder theory intrinsically speaks to ethics and values because it incorporates how the stakeholders of business organizations *should* be treated by corporate agents.

In response to this line of inquiry, I modelled executive decision making that does not incorporate the value expectations of stakeholders and compared it to executive decision making that does (Swanson, 1999, 2008, 2014). My conclusion, reflected in this book, is that the mindset of the top executive is highly influential in determining the potential for a firm to be socially responsible. If this mindset ascribes to the separation fallacy, then corporate social responsibility is not possible. Indeed, calling attention to the sophistry of such myopia is one aim of this book.

That most business schools continue to justify the amorality that goes along with the separation fallacy (see Ghoshal, 2003, 2005; Samuelson, 2011), even though their millennial students believe in a more community-minded model of business (Deloitte, 2016), demonstrates how dissociation can get replicated in the mindsets of future business leaders. Yet changes are afoot, discussed next.

## Signs That Separation Consciousness Has Run Its Course

In contrast to the aforementioned habit for managers to be morally mute, Archie Carroll and Ann Buchholtz (2015, p. 198) assert that managers who intentionally think that ethics and business do not mix are becoming a vanishing breed.<sup>2</sup> There are several other reasons to think that separation consciousness may be in decline. For instance, the benefit corporation, first chartered in Maryland in 2010 and now chartered in 31 U.S. states, provides legal protection for firms that seek to balance financial and non-financial interests while producing a positive impact on society (Bend & King, 2014; see also [benefitcorp.net](http://benefitcorp.net)).<sup>3</sup> This form of incorporation, designed to help solve social and environmental challenges, befits the millennial generation's preference for business to serve community values instead of functioning as a freestanding profit seeking entity. Indeed, the directors of a benefit corporation must take into account the effects of their decisions on the stakeholders materially impacted by them, of which stockholders are but one (Worldwatch Institute, 2016). This mandate, embodied in the benefit charter, was influenced by the rise in social entrepreneurship, which David Bornstein (2007) describes as the use of business and management skills to achieve socially-useful ends. Similarly, J. Gregory Dees (2001) holds that social entrepreneurs see wealth not as an end in itself, but rather as a means to the end of a social mission.

In conjunction with the upswing in social entrepreneurship, more traditionally-chartered corporations have launched programs that blur the boundary between business and society, including corporate philanthropy led by employees who volunteer to engage in community projects or give to them financially. In a 2013 article entitled "Giving at work: Most dramatic shift we've ever seen," *Forbes* reports on this development as:

...a pronounced sea change in corporate giving, a vital channel for non-profits that raises \$3 billion every year. Giving is also an increasingly important tool for employee engagement, one that workers (especially Millennials) have come to not only expect, but expect to be administered

with creativity and advanced technology. It is about creating fully integrated opportunities to engage employees. (Scott, 2014)

This shift coincides with a dramatic upsurge in cause marketing (Oster, 2014) that combines the efforts of for-profit businesses and nonprofit organizations in projects that create mutual benefit. As background, the term “cause marketing” was first attributed to a program launched by American Express Company in 1983 by which the firm contributed a penny to the restoration of the Statue of Liberty every time a customer used one of its credit cards to make a purchase (Carroll & Buchholtz, 2015, p. 476). Some premier advertising agencies now specialize in aiming their cause-related marketing not only at consumers but also employees, policy makers, thought leaders and Wall Street, a practice influenced by the importance of corporate social responsibility to millennials who represent \$2.45 trillion in spending power (see Elliott, 2014; Richards, 2015).

Increasingly, companies view a cause program as necessary for them to remain competitive in the marketplace (Cone Communications, 2015; Cone, Inc., 1999), especially since cause marketing can turn into cause branding, if companies demonstrate a lasting commitment to an issue that enhances their image in the eyes of consumers (Frechette, 2010). Understanding how much consumers care about social and environmental concerns will be more important to companies in the future. According to a Nielsen (2015) global online survey, 66% of respondents said that they were willing to pay more for products and services that come from companies that are committed to positive social and environmental impact, up from 55% in 2014 and 50% in 2013. Brand trust influenced purchases the most for 62% of the respondents in the 2015 survey. Carol Gstalder, senior vice president of reputation management and public affairs practice at Nielsen elaborates:

Brand trust and reputation are paramount. An excellent reputation makes it far more likely a company will be welcomed into new communities; partner with the most respected non-profits working on issues consumers care about most; and be a go-to source for products and services. And what we know for sure is that sustainability is playing an increasingly significant role in consumer decision making. (Nielsen, 2015)

Some firms have gone so far as to integrate cause branding into their core business strategies, another practice that disaffirms the separation fallacy. Consider that:

... cause programs have become a standard and widely accepted business practice with many of the world's largest companies running comprehensive campaigns supported by substantial advertising and communications resources. Today's pioneers realize that it is no longer about being just loosely associated with a cause or partnering with a nonprofit organization—it is now about integrating the concern and commitment for a cause into a core component of an organization's business strategy. (Cone, *n.d.*)

Investors have also demonstrated more interest in corporations functioning as vehicles for social and environmental causes. This is reflected in a rise in shareholder activism aimed at increasing investments in socially responsible firms. This phenomenon, given impetus in the 1970s in North America, has seen total dollars in socially responsible investments (SRI) grow exponentially over the past twenty years. Since the 1990s, advocates of SRI have taken up the goal of promoting environmental sustainability in conjunction with expanding global efforts, especially since 2000 (Swanson & Orlitzky, 2016). Wayne Visser (2011a) weighs in:

Reflecting the global nature of this expansion, the United Nations became increasingly active in promoting SRI through the UN Environmental Programme's Financial Initiative and the launch in 2006 of the Principles for Responsible Investment. As of 2007, global SRI assets under management were \$5 trillion, with \$2.7 trillion of that total invested in the U.S., according to the Social Investment Forum. (p. 121)

In tandem with the surge in SRI, the number of businesses of all sizes in the private sector that choose to self-assess how sustainable their operations are by using social and environmental standards and publicly disclosing their results has been growing rapidly, especially in Europe and Asia (Worldwatch Institute, 2016). A survey of 250 executives in 2013 speaks to this trend. Most of the respondents indicated that they expect environmental and social issues to have accelerated impact on their strategies, products and services, and operations in the near term, a finding that was

consistent with the jump in *Standard & Poor's 500* companies that issued sustainability reports from 19 percent in 2010 to 53 percent in 2011 (Park & Koehler, 2013).

These developments, taken together, suggest that separation consciousness is fading. So does the phrase *Not in Anyone's Backyard* (NIABY) when invoked as an alternative to NIMBY. It appears that more people are openly ascribing to the proposition that business is part of the collective and should serve its good. For this proposition to become reality, managers must perceive *continuity* between their organizations and society instead of *separation*. In this vein, business and society scholars Sandra Waddock and Andreas Rasche (2012) assert that:

An integrative and holistic systems perspective allows us to see our impact on the world and the world's on us. Companies, after all, are human creations that are nested within the larger social and even larger ecological systems of the world: they interact daily with government policies and, as has become increasingly obvious to companies under public scrutiny, with actors from civil society. *No longer can a company act as if it were distinct and separate from these other aspects of our world or reasonably claim that "it's just business," when it violates ethical norms or when ecological issues arise* [emphasis added]. (p. 15)

This is not to say that the business sector has never acted in a manner and on a scale that belies separation consciousness. The Community Chest Movement in the U.S. in the 1920s, covered in Chap. 2, has been interpreted by some historians as an unprecedented attempt by business to engage in philanthropy to help alleviate human suffering. Yet, the Community Chest was a response to the Great Depression, which some view as an anomalous period in the history of capitalism (see Weinstein, 1981, p. 266). Whether this is a correct understanding of the period is beyond the scope of this book to investigate. The point is that once the U.S. got back to "business as usual," the assumption that business and society thrive together or fall together faded from the forefront of collective consciousness. As a result, Milton Friedman (1962, 1970) and other orthodox economists could argue against the very concept of corporate social responsibility and be taken seriously. In other words, separation consciousness re-asserted itself, an interpretation consistent with

Morris Berman's (1981, p. 159) claim that dissociation is typical of the collective mindset of the industrialized West.

But the climate of perception seems to be changing. Jeffrey Hollender and Bill Breen (2010, p. 3) propose that several developments after the turn of the twenty-first century are rendering the refrain "it's just business" obsolete. Indeed, they propose that an enduring period of accelerated change in corporate responsibility is underway for the following reasons:

- Companies in the wake of scandals [including Enron, WorldCom, and Tyco], must now work harder to protect their reputations.
- Global brands, which are battling to crack markets all over the world, are now expected to perform a social role.
- Customers, thanks to the Internet, now have more power than ever before—the power to scrutinize companies' activities and to organize boycotts at the slightest sign of misbehavior.
- The body politic, seared by Ponzi schemes and the meltdown in financial markets, is punishing "bad companies" and demanding that all companies "do good."
- Employees now expect companies to adopt a purpose that's bigger than profit—a key factor in the competition for A+ talent.
- Nongovernmental organizations (NGOs) are growing exponentially and are relentlessly pushing companies to contribute to society.
- Stakeholders are pressuring institutional investors to adopt strong principles of governance and responsible investing strategy. (pp. 5–6)

Relying on Hollender's experience in co-founding and leading Seventh Generation, a firm that pioneered sustainable household products in 1988, Hollender and Breen (2010, p. 160) describe *corporate consciousness* as accruing from a clarity of purpose and the values that define an organization's essence. They go as far as to say that:

An emerging breed of values-driven companies—some new, some well established—is building a better form of capitalism. A new generation of values-driven leaders has kicked over the alpha capitalists' argument that "the only business of business is business." (p. 3)

This book examines how the executive leader can create the kind of values-driven unity consciousness that those who believe that business should serve the greater good can share.

## A Preview of CSR Leadership Based on Unity Consciousness

Given what has been said so far, it is important to understand the type of executive who is not limited by separation consciousness but instead perceives unity in decision domains, including continuity between self and others, facts and values, means and ends, humans and nature, and business and society. *Such is the nature of unity consciousness.* Wayne Visser (2011b) emphasizes the stakes:

In CSR circles, we see the task of creating a more equitable and sustainable world as both a serious challenge and an enormous opportunity. We are convinced that without bold and effective leadership—at a political, institutional and individual level—we will fail to resolve our most serious social and environmental crises. We will also miss out on the vast business opportunities presented by society's transition to a sustainable economy. Over the past few years, in response to these global challenges and opportunities, we have seen more and more evidence of CSR leadership emerging, albeit not nearly enough. (p. 1)

Visser also proposes this succinct definition of socially responsible leadership: A CSR leader is someone who inspires and supports action towards a better world (p. 2). Chapter 2 takes up this sentiment by addressing the meaning of social betterment. It does so by examining the nature of the social contract between business and society and how the articulation of this contract has evolved in business and society research and management practice.

The take-away from Chap. 2 is that scholars in several management fields, along with notable business leaders, have come to view corporate responsibility in terms of triple bottom line outcomes. These outcomes, originally coined by John Elkington (1994) as the 3Ps or impacts

favorable to *planet, people, and profit*, accord with the macro values for business identified by William C. Frederick (1992, 1995) that define the goals for CSR discovery leadership in subsequent chapters. The analysis in Chap. 2, essentially a retrospective on corporate responsibility research, demonstrates that the business and society field has long attempted to overcome the separation fallacy, especially the proclivity to separate facts from values. Accordingly, this field has also been a pioneer in addressing other separation problems, including the strict demarcation between self and others, means and ends, and humans and nature. Indeed, the trajectory of business and society research described in Chap. 2 is yet another sign that separation consciousness is in decline.

Before describing CSR discovery leadership based on unity consciousness, Chap. 3 demonstrates that executive decision making based on separation consciousness cannot lead a firm to fulfill the terms of the social contract laid out in Chap. 2. It does so by illustrating the pathological outcomes that will inevitably accrue when the mindset at the helm of corporate life embeds dissociative amorality in organizational dynamics. These pathological outcomes include a sense of alienation between business organizations and their stakeholders that creates an unproductive wedge between business and society. *Ideal typing* is used to derive these outcomes. According to social and political theorist Max Weber (1947), the method of ideal typing focuses on a phenomenon's distinctive features in order to emphasize their logical implications. Using this method, Chap. 3 models the logical outcomes of an organization led by dissociation, which corresponds to the amoral mindset implied by standard economics. The crux of the matter is that separation consciousness at the helm of corporate life will inevitably cause an organization to neglect or harm society.

Chapter 4 provides a counterpoint to Chap. 3. It proposes that a necessary condition for CSR leadership capable of creating a constructive form of shared consciousness between business and society is an *associative mindset*. Moreover, Chap. 4 identifies the realizations necessary for this mindset and explains how they accord with systems thinking and other-regarding ethics. Subsequently, Chap. 5 examines the means by which the *associatively-minded executive* can direct employees to enact *constructive values*, which are the personal and organizational values that can



facilitate triple bottom line performance. Chapter 5 provides an inventory of these values and submits that an executive proficient at finding ways to activate them in organizational life has the potential to become a *CSR discovery leader*.<sup>4</sup> An overarching proposition in Chap. 5, conveyed in the title of this book, is that if external stakeholders become aware of these efforts, and the values on which they are based, then an appreciable degree of *shared value consciousness* between business and society is attainable. As will be seen, the boundary spanning role of the Office of External Affairs Management is pivotal to creating and maintaining such shared awareness. If the executive directs this office to detect stakeholder value expectations and report them to other employees for consideration then, contrary to the separation fallacy, values and facts can be consciously blended in decision making. One technique for *discovering* these expectations is *appreciative inquiry*, described in Chap. 5 as a form of communication based on the other-regarding systems mindset laid out in Chap. 4 (see Cooperrider & Whitney, 2005).

To preview the importance of boundary spanning, if consumers report to the Office of External Affairs Management that they expect the firm's products to meet safety standards, then they have essentially communicated that they prize *safety* as a *value* to be considered in the context of *factual, empirical, and measurable* design and production criteria.<sup>5</sup> In turn, the CSR executive will require that this office communicate triple bottom line performance (in this case, data on safety outcomes) to employees and other stakeholders and obtain their feedback. That way, continual learning about CSR efforts can occur and corrective actions can be taken, as needed. According to Chap. 5, the discovery executive can use this communication process to help create the kind of shared consciousness that alleviates the alienation between business and society described in Chap. 3. As part of this effort, the moral muteness that has long been encouraged in the workplace (Kampen, 2015) is discouraged.

To introduce this possibility more fully, consider that values represent deeply held *beliefs* that influence people's *perceptions* of facts and the *meaning* they assign to them (Frederick, 1995). As such, values influence awareness or consciousness. Therefore, if stakeholders *believe* that an organization is intent on enacting the values that they *perceive* serve community, then a *meaningful* association based on *shared value awareness*

can develop between business and society. In the process, the paradigm of amoral business is discredited. In this way, the discovery leader is in a unique position to help repair the artificial divisions described earlier as the separation of self from others, facts from values, means from ends, humans from nature, and business from society. The transformative potential of discovery leadership begins with perceiving continuity among these decision making domains, according to the nature of unity consciousness.

Chapter 6 describes the mindset needed for CSR discovery as similar to that required for scientific inquiry that privileges puzzle solving. It offers that those engaged in such exploratory inquiry must be open to new findings and use the best means or methods for drawing conclusions and solving problems (see Kuhn, 1970). Similarly, Chap. 5 illustrates that the discovery executive must be receptive to finding the best means for enacting triple bottom line performance. In other words, both enterprises involve a means-end continuum and flexible thinking. This flexibility involves a *tool use mentality*, given the importance of selecting the best means to reach goals and the necessity of documenting results and learning from them. This process-orientation is akin to the theoretical pragmatism found in scientific fields that have moved away from a deterministic approach to theory building in the twentieth century. Chapter 6 explains how the model of CSR discovery leadership is based on theory building that reflects this change. It also identifies some values common to scientific investigation and CSR discovery and addresses the prospect that both enterprises can serve human needs. Hence, although this book redresses the separation consciousness that developed in the aftermath of the Scientific Revolution, it does not reject the values inherent in scientific discovery and the pragmatism required. Quite the contrary. Chapter 6 argues that CSR theory building must necessarily reflect this values-informed pragmatism, along with the aspiration that business, like science, can be used to improve the human condition. Whether business and science can pursue this aspiration requires discarding any pretense that they are value free.

Chapter 7 gives some implications for management research, practice, and public policy, along with suggestions for re-hauling business education. In terms of practice, Chap. 7 notes that CSR discovery leadership

does not rule out value conflicts, as when spending on employee or consumer safety appears to decrease financial gains to stockholders. However, when such trade-offs exist, it is possible that the *enlightened* CSR discovery leader who has realized an associative mindset will find creative solutions, given that he or she is not handicapped by dissociative myopia. This prospect will be discussed in the context of research that shows positive correlations between corporate financial performance and corporate social performance (e.g., Orlitzky, Schmidt, & Rynes, 2003; Orlitzky & Swanson, 2008). In cases where value conflicts seem intractable, then public policy, the law, and other forms of social control will still have roles to play. However, these roles are subject to change. For instance, Chap. 7 recalls that the benefit corporate charter mandates the simultaneity of triple bottom line goals. As such, this recent public policy innovation is designed to reduce value conflicts among stakeholders and align their goals. Moreover, the need for public policy remedies may decrease if discovery leaders set standards for best practices. As more stakeholders become aware of these practices, and the values on which they are based, then they may pressure lagging firms to adopt them voluntarily. In this way, Chap. 7 points to the potential for discovery executives to lead a *virtuous cycle of CSR innovations* that create new frontiers for positive corporate performance based on shared value consciousness.

## A "3S" Approach to CSR Discovery Leadership

Essentially this book delivers a "3S" approach to CSR discovery leadership, with values being the common denominator in the following domains.

*Society:* From society's viewpoint, corporations are legitimate if they provide positive economic, environmental, and social outcomes. These are the triple bottom line macro values for which business organizations should strive, if they are to function as good stewards of society's resources.

*Shared consciousness:* The executive who aspires to be a CSR discovery leader is intent on identifying the values that facilitate triple bottom

line outcomes and embedding them in the organization's culture. This executive is also intent on directing the firm's boundary spanners, especially those in the Office of Public Affairs Management, to establish two-way communications with stakeholders, so that continuous learning about society's expectations of triple bottom line performance is possible. When this communication is clear about stakeholder value expectations, and how a firm responds to them, then an appreciable degree of shared value consciousness between the firm and its stakeholders can be created and sustained. This value-defined mutual awareness is a stark contrast to the amorality and alienation fostered by separation consciousness.

*Science:* The values that facilitate corporate social responsibility (as triple bottom line outcomes) are similar to those needed for scientific inquiry and puzzle solving. Examples include transparency, honesty, learning, truth-seeking, broadmindedness, tolerance, innovativeness, capability, imagination, independence, intellect, cooperation, teamwork, trust, accuracy, effective communication, and progress. Both enterprises involve a tool-use mentality for selecting the best means (or methods) for pursuing goals while adjusting for results. By describing these affinities as means-ends processes of exploration, this book establishes that discovery leadership and scientific inquiry are similar in some fundamental ways, especially given the potential for both to improve the human condition.

In terms of this 3S approach, discovery leadership is not offered as a cure all or exact recipe for triple bottom line performance. Instead, corporate social responsibility should be understood as an ongoing quest, similar to the open-ended nature of scientific inquiry described in Chap. 6. In both cases, outcomes are neither fixed nor predetermined. In the case of CSR discovery, triple bottom line results depend on the ability of executives and other employees to act on the values that make corporate responsibility possible and learn from the experience. William C. Frederick (1995) speaks to the pragmatic nature of this approach:

Most business people who have thought about the matter at all are most likely ready to consider what might be done to improve their company's

ethical posture. Actions indeed can be taken—and recommended—but those actions will rest on processes already underway, already familiar to the practitioner, already within grasp rather than out in some imagined ideal place beyond the world of practical action. Values are, and always have been, experiential, that is, reflective of behavior taking place within known settings. (p. 296)

Viewing corporate social responsibility as an intentional quest that relies on practical action rejects the notion that the invisible hand of the market will automatically align business impacts with the greater good in the long run. This is but a worn out misinterpretation of Adam Smith’s (1776) frequently-invoked metaphor.<sup>6</sup> This book does not let those who invoke it off the hook. Simply stated, there is no invisible hand and, even if there was, the long run is too long to wait. The reality is that corporate social responsibility is a matter of human choice in the present. As I wrote earlier:

In the 1999 film *The Matrix*, Morpheus says to Neo: I’m trying to free your mind, Neo. But I can only show you the door. You’re the one that has to walk through it.” And so it is with socially responsible leadership. The choice, first and foremost, is whether or not to pursue it. This is an important step for executive managers whose decisions greatly impact society. (Swanson, 2014, p. 1)

Relying on an invisible hand to make things better in the so-called long run is a convenient way to avoid the responsibility of choice. No one dismissed this error in judgment better than John Maynard Keynes (1923):

[T]he long run is a misleading guide to current affairs. *In the long run we are all dead.* Economists set themselves too easy, too useless a task if in tempestuous seasons they can only tell us that when the storm is past and the ocean is flat again. (p. 80)

The executive who embodies an associative mindset and uses it to make *conscious choices* in *real time* has the potential to become a CSR discovery leader. This is encapsulated in the second of two overarching propositions that inform the 3S approach, where constructive values are understood to be those that can facilitate a firm’s positive triple bottom line performance.

**Proposition #1:** *A dissociative mindset at the apex of corporate life enforces separation consciousness between business and society that prevents shared understandings of the constructive values at stake for both.*

**Proposition #2:** *An associative mindset at the apex of corporate life has the potential to create unity consciousness between business and society based on shared understandings of the constructive values at stake in the relationship.*

Another way to think about [Proposition #2](#) is that executives who adopt an associative mindset can help bring business and society into what I call a “unified field of shared value consciousness.”

## This Book in Context of Business and Society Research

According to Chap. 2, the business and society field has rejected the fallacy of separation. Yet not all business scholarship has. The rub is that practitioners are not necessarily waiting for academics to come to consensus on this matter. Instead, practice has forged ahead of theory in many ways. These forward-looking developments include social entrepreneurship, the benefit corporation, employee engagement, corporate philanthropy, cause marketing, cause branding, socially responsible consumer purchasing, socially responsible investing, and corporate sustainability reporting. It is not surprising that practice is outpacing theory. After all, traditional business theories have long incorporated economic orthodoxy based on amoral separation and business schools have perpetuated it for decades (Swanson, 2004). It is a stubborn habit of thought that practitioners cannot afford to be constrained by, not if they understand the imperative of building relationships with stakeholders based on shared values. If business scholars want to be relevant in the twenty-first century, they will need to develop theories that more closely resemble innovations in corporate social responsibility. The academic area that has long tracked such developments is the business and society field, which includes research on business ethics, corporate social performance, corporate citizenship, corporate social responsibility, and stakeholder theory.

This book is a sequel to *Embedding CSR into Corporate Culture: Challenging the Executive Mind* (Swanson, 2014) in which I examined five decades of business and society research to argue that the time is ripe for a values-based theory of CSR leadership that integrates key aspects of this research. In the previous book, I asserted that a general theoretical perspective on this subject must accommodate the individual, organizational, and societal levels of analysis. This sequel represents a continuation of my efforts to link CEO decision making on the individual level to organizational dynamics and societal outcomes. With these levels in mind, I assign four meanings to the term “discovery” as it pertains to CSR leadership, the 3S approach, and [Proposition #2](#), given above.

1. *Discovery* means that the executive directs other employees to *detect* stakeholder value expectations as they relate to the firm’s enactment of positive triple bottom line impacts.
2. *Discovery* means that the executive strives to *find* the best ways to activate the personal and organizational values that makes such impacts possible.
3. *Discovery* means that the executive directs other employees to *detect* and *assess* the difference between actual and desired triple bottom line performance, *find* means of corrective action, and *learn* from the experience.
4. *Discovery* means that these processes are similar to the *explorative* aspects of scientific inquiry in some fundamental ways.

## The Intended Audience for the Book

Although this book is not about a re-enchantment of the world, to use Max Weber’s terminology, it does call for re-imagining the business and society relationship based on shared value consciousness. This “reimagining” is intended for several audiences. It is for business and society scholars who represent a long tradition of investigating the normative aspects of corporate life. More generally, it is for business scholars who want to consider the relevance of this line of inquiry to their areas of specialization. Of these areas, this book speaks directly to leadership, decision theory,

organizational culture, organizational theory, organizational ethics, and public affairs management. Along the way, it also speaks to how CSR discovery leadership is relevant to human resource management, operations management, corporate governance, and marketing. The book can also be used as a resource for business educators who want to help their students, society's future leaders, adopt a holistic approach to corporate social responsibility. Hopefully, graduate students in business and related fields will view this book as a resource as well. Last, but not certainly not least, this book was penned with executives in mind, since they have a unique opportunity to transform business for the greater good.

## Notes

1. Morris Berman's (1981, pp. 15–24) thesis of nonparticipating consciousness in the modern era is based on his understanding that a loss of meaning occurred in the West in the aftermath of the Scientific Revolution. Given this context, his critique is focused on a mindset that took hold in Western industrial nations. Chapter 3 speaks to the influence of the Commercial Revolution on this mindset.
2. Archie Carroll and Ann Buchholtz (2015, p. 198) differentiate between *intentional* amoral management and *unintentional* amoral management, that latter indicating an unconscious lack of awareness about ethics. It is the former group that *consciously* believes that ethics and business do not mix.
3. The Worldwatch Institute (2016) reports that companies in 25 countries outside the United States have earned B Lab's third-party certification as Certified B Corporations. As of this writing, benefitcorp.net reports that Italy and Puerto Rico have passed corporate benefit legislation.
4. I introduced the concept of discovery leadership earlier (1999, 2008, 2014), but not as part of a solution to the problem of separation consciousness in business and society. Nor did my previous work examine the affinity between discovery leadership and scientific inquiry, as this book does. Whereas my previous research modeled executive *value myopia* as antecedent to *organizational neglect* of society (the antithesis of corporate social responsibility), this book examines the *dissociative mindset* that goes along with such myopia. Conversely, my previous research dealt with executive *value receptivity* as a necessary condition for *value-attuned*



- socially responsible leadership, whereas this book goes further by examining the realizations necessary for an executive to have an *associative mindset* capable of exercising such receptivity in the first place.
5. As noted in subsequent chapters, the terms “values” and “ethical values” will be used interchangeably, since stakeholders typically articulate their value preferences in terms of ethical standards associated with rights and justice. For example, when consumers indicate that they *value* product safety and expect it, they are conveying that they believe they have a *right* to it and should receive *fair* or *just* compensation if they suffer harm from using a defective product. In this way, values and ethical standards go hand in hand.
  6. Invoking the invisible hand to glorify markets above all else is an expression of the separation fallacy that ignores that Adam Smith was a moral philosopher who penned *The Theory of Moral Sentiments* in 1759 before he wrote *The Wealth of Nations* in 1776. Although Smith elevated the idea of markets in the latter work, he did so to argue against the mercantilism of his time. He did not advocate unfettered amorality in business. To the contrary, Smith argued that individual self-interest must comport with the laws of justice, and he explored the ability of humans to carry out justice by virtue of their ability to have sympathy for others (Wilson, 1989, p. 60).

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# 2

## Society, Business Values, and the Social Contract

The view that business has institutional legitimacy if it serves social betterment was established by decades of social contract reasoning in business and society research.<sup>1</sup> As will be shown, this view can now be formulated in terms of the triple bottom line standards for sustainability that were proposed by John Elkington (1994) in the 1990s. Indeed, the concept of the triple bottom line, also known as the 3Ps of planet, people, and profit, has gained tremendous currency since that time (Orlitzky & Erakovic, 2008; Swanson & Orlitzky, 2018). As a result, a growing number of scholars and practitioners are ascribing to the idea that society expects business organizations to strive for positive environmental, social, and economic impacts. In documenting how these expectations became established in business and society research, this chapter will show that the cumulative effect of social contract reasoning has been to whittle away at the separation problems introduced in Chap. 1. In terms of this book's 3S approach to CSR discovery leadership, this chapter focuses on *society*, specifically social contract reasoning.

## Some Background on Social Contract Reasoning

The idea of a social contract is an ancient one that has come to be associated with a theory of politics in that political social contracts are focused on the totality of human existence as a means of justifying or condemning particular forms of government or of delimiting important rights (Dunfee, 1991, p. 27). Social contract reasoning is also used more generally to clarify principles for moral relations in society (Narveson, 2008). Normative philosophers who are business ethicists have invoked this second meaning to explore the nature of the relationship between business and society, especially the moral responsibilities that corporations have to various groups with stakes in corporate conduct. According to stakeholder theory, these groups include customers, suppliers, business partners, stockholders, employees, social activists, the media, government regulators, civic organizations, and local communities (Freeman, 1984). This perspective is consistent with social contract reasoning based on the understanding that humans tend to organize into groups with shared values and goals, especially in contemporary society (Dunfee, 1991, p. 26).

The usefulness of social contract reasoning in the business and society field is that it can help clarify society's expectations of business in general and the nature of agreements between firms and their stakeholders in particular. Indeed, the main path taken by contemporary ethical analysis of business operations leads through social contract theory (Frederick, 1995, p. 223). Normative philosopher take this approach by way of a "thought experiment," as when Thomas Donaldson (1989), a business ethicist, assumed a state of nature, or a hypothetical time before organized societies existed, from which he delineated the basic agreements that people would make with productive organizations in order to justify them. Using this method, he concludes that society imputes legitimacy to corporations because they can enhance the greater good by generating benefits that could not be had otherwise. This conclusion resonates with the obligatory aspects of stakeholder theory, which Donaldson describes further in terms of justice and human rights:

Hypothetical contractors in a state of nature will demand that the obligations of organizations extend not only to consumers and employees, but to all those affected by the organization's activities. They will demand, in turn, that corporate activities remain within the boundaries of justice and human rights. Of course, which theory of justice or which list of human rights one embraces may be controversial. But insofar as the business social contract is valid, it cannot be denied that a corporate must respect fundamental human rights, and—which amounts to nearly the same thing—it must accord its activities with principles of justice. (p. 48)

Other business and society scholars have made the point that the social contract between business and society is a two-way partnership of reciprocal responsibilities that reflect society's prevailing expectations of business (e.g., Carroll Buchholtz, 2015; Moir, 2001; Swanson, 1995). Likewise, Denis Collins (1988) gives three primary purposes of the social contract method of inquiry:

1. It defines a moral ideal that is rationally acceptable to both parties.
2. It imposes obligations based on both parties' uncoerced consent to the contract.
3. It establishes a justification for intervention when the contract is violated. (p. 119)

Given these purposes, Collins asserts that Adam Smith's (1776) famous justification of capitalism, as set forth in *The Wealth of Nations*, is reminiscent of social contract reasoning in that Smith justified the activities to be permitted in the economic sector as subject to certain boundaries set by the government on behalf of the social good.

The following sections examine the extent to which the business and society field embodies the purposes of social contract inquiry, either in terms of a thought experiment that reasons from a state of nature or by research that takes contemporary conditions as a starting point for analysis.<sup>2</sup> Either way, the point of this inquiry is to understand the reasons why corporations should serve social betterment and how they can do so.



## Social Contract Reasoning in Classifications of Business and Society Research

Broadly speaking, corporate social responsibility and corporate social performance can be seen as overlapping areas of business and society research. This section gives a longitudinal classification of foundational research on corporate social responsibility, followed by a stationary classification that includes early principles of corporate social responsibility. Taken altogether, this research demonstrates that the business and society field has been shaped by social contract reasoning from the start. This has amounted to a rejection of the separation fallacy, which was described in Chap. 1 as the error of perceiving business decisions and ethical decisions to be unrelated. Historically speaking, business and society has been a forerunner among management fields in rejecting this fallacy.

### A Longitudinal Classification of Corporate Social Responsibility Research

William C. Frederick (1987, 2008), one of the main founders of the business and society field, categorized three distinct phases of corporate social responsibility research as *CSR1*, *CSR2*, and *CSR3*, which he labelled *corporate social stewardship*, *corporate social responsiveness*, and *corporate/business ethics*, respectively. The analysis that follows is informed by his description of these phases.

#### CSR1: Corporate Social Stewardship (1950s–1960s)

Although some publications in the 1930s and 1940s pointed to the importance of corporate responsibility leadership, including Chester Barnard's (1938) *The Functions of the Executive* (see Carroll, 2008), the first phase of CSR1 began when executives and academics at pedigreed universities called for it in the 1950s and 1960s. During this time, a landmark book by Howard Bowen (1953), *Social Responsibilities of the Businessman*, advocated that executives align their decision making with

desirable social values. Archie Carroll (1999), an influential corporate responsibility scholar, summarizes the importance of Bowen's work:

Bowen (1953) set forth an initial definition of the social responsibilities of businessmen (sic): "It refers to the obligations of businessmen to pursue those policies, to make those decisions, or to follow those lines of action which are desirable in terms of the objectives and values of our society" (p. 6). Bowen quoted *Fortune* magazine's survey (1946, as cited in Bowen, 1953, p. 44), wherein the magazine's editors thought that CSR, or the "social consciousness," of managers meant that businessmen were responsible for the consequences of these actions in a sphere somewhat wider than that covered by their profit-and-loss statements (cited in Bowen, 1953, p. 44). It is fascinating to note that 93.5% of the businessmen responding agreed with the statement. (p. 270)

During the CSR1 phase, advocates of corporate social responsibility invoked the *stewardship principle* to hold that executives should view themselves as fiduciary guardians or public trustees of society's resources. This stance on stewardship anticipated a concern for preserving the natural environment, which decades later would become a plank in the triple bottom line approach. Those who urged the business sector to take up responsibility also invoked the *charity principle*, which means that corporations should uphold social betterment by giving back to society in the form of philanthropy. Advocating charity in this manner was consistent with the Community Chest movement in the United States in the 1920s, which was one of the earliest forms of corporate responsibility (Carroll, 2008). Robert H. Bremner (1960) documents the historical significance of this movement:

The chest, sometimes called "the budget plan of benevolence," made giving less an act of personal charity than a form of community citizenship, almost as essential as the payment of taxes. The outpouring of money for philanthropy was matched only by the praise heaped on it. From time to time, it is true, doubts were expressed about the wisdom of undue reliance by society upon private benefactions. But critics of business civilization seldom questioned American generosity and defenders frequently boasted of it. In 1928, a year which saw five hundred lump-sum gifts of \$1 million or more,

the *Saturday Evening Post* characterized the charitable zeal of business leaders as a “practical application of the golden rule.” “We work, and we work hard, not for the money itself but for the good that may be done with it,” said the *Philadelphia Inquirer* early in 1929. And a sober historian, Marcus W. Jernegan, writing in a learned journal in March 1929, affirmed the popular view: “Never in the world’s history have such unprecedented amounts of money been granted by private and public agencies to alleviate human suffering.” (p. 134)

The Great Depression was viewed by many as an anomaly in the history of the market system. Once the country got back to “business as usual,” the assumption that business and society thrive together or fall together faded from the forefront of collective consciousness. When separation consciousness reasserted itself in this way, Milton Friedman (1970) and other conservative economists could argue against the very concept of corporate social responsibility and be taken seriously. It is worth noting that the magnitude of corporate citizenship that distinguished the Community Chest movement surfaced again during the CSR4 phase of business and society research, covered later, when it became apparent that the scope of social and environmental problems relevant to global business calls for corporate civic responsibility on a newly expanded scale.

The basic idea of CSR1, that corporate managers are public trustees and social stewards who should voluntarily act as such (Frederick, 2008, p. 524), recalls the earlier description of social contract inquiry that seeks to define the moral ideals that parties can accept. Although the principles of charity and stewardship could be interpreted as paternalistic expressions of corporate power (Frederick, 1987; Zeitlin, 1978), attempts to ward off governmental oversight (Sethi, 1979), or public relations tactics to shape public opinion (Chamberlain, 1973), the premise in CSR1 that business and society are inextricably linked resonated with the social contract implications of the corporate charter (Frederick, 2006). The corollary that business should work for social betterment because power begets responsibility influenced decades of research to come. That Frank Abrams (1951), Chairman of the Board of Standard Oil, asserted that those who hold power in society incur reciprocal responsibilities to that

society amounted to an acknowledgement of a social contract from the business sector.

Although casual observers might believe that advocates of corporate responsibility and business representatives have always been in opposing camps, the fact is that some of the first calls for business to serve social betterment came from corporate executives. Perhaps they, more than anyone, understood the potential for business organizations to impact society for the better. This speaks to practical nature of social contract reasoning and the need to ground it in the realities of organizational life. Its relevance to practice is especially apparent in CSR2.

### **CSR2: Corporate Social Responsiveness (1960s–1970s)**

This period was marked by social activism and the expectation that corporations should anticipate and respond to social pressure (Frederick, 2008) and formulate solutions (see Drucker, 1968). Whereas the extent of social responsibility in CSR1 was largely dependent on the conscience of the chief executive officer, CSR2 looked to the implementation of institutionalized policies that were formulated in response to constituent interests (Frederick, 2006) and public policies meant to protect them (Preston & Post, 1975). Consistent with the focus on responsiveness in CSR2, and the call for corporations to work for social betterment in CSR1, the U.S. Research and Policy Committee of the Committee for Economic Development (CED, 1971) issued *Social Responsibilities of Business Corporations* in 1971. Because this report envisioned the economic responsibility of business to be subject to social and environmental responsibilities, it foreshadowed the concept of the triple bottom line (Swanson & Orlitzky, 2018). More specifically, the report held that society had become acutely aware of environmental problems such as air and water pollution produced by rapid economic development and population pressures.

The social agenda identified by the CED report included safe products for consumers, racial and gender equality in the workplace, fair treatment of suppliers, health and safety for employees, a reduction of industrial pollution, and a general concern for environmental sustainability

(Carroll, 2008). Moreover, this report, issued by many top-level business executives and economists, explicitly invoked social contract reasoning to reach its conclusions:

Today it is clear that the terms of the contract between society and business are, in fact, changing in substantial and important ways. Business is being asked to assume broader responsibilities to society than ever before and to serve a wider range of human values. Inasmuch as business exists to serve society, its future will depend on the quality of management's response to the changing expectations of the public. (p. 16)

Dow Votaw (1972) expressed a similar sentiment from academia:

It is all too plain that a successful business system does not by itself create a beautiful, peaceful, refined, gracious and tranquil civilization. What this really means is that it is no longer necessary for society as a whole to shape itself to the economy in order to produce the necessities of life, but it is becoming increasingly necessary for the economy to adjust to the rest of society. Social responsibility must be looked at as, among other things, a growing recognition of these facts by the leaders of business and as a search for a new set of relationships between the economy and the society. (pp. 30–31)

The idea that managers should be responsive to constituents and forge new relationships with them presaged the stakeholder model of the firm that was to become part of CSR3. Meanwhile, Neil Chamberlain (1973) observed the conditions that gave rise to the need for corporate social responsiveness:

The corporation has become, by virtue of its size and scope, more of a public institution than a private one. Its management, as we have seen, exercises a political function no less than an economic one, responding to and coordinating contentious public-interest and special-interest groups. Even if its discretion is limited, even if it is constrained by the system of which it is a part, it now operates within a social context in which increasingly *it can legitimate its authority only by assuring its numerous and often conflicting publics that it is doing its best to act responsively* (emphasis added). (p. 203)

In the final analysis, and in contrast to the obligatory tone of CSR1, the second phase of business and society research represented a more descriptive, action-oriented, and pragmatic outlook that emphasized the practical organizational mechanisms and behavioral patterns that allow managers to anticipate and respond to legitimate public concerns (Frederick, 1987, 2008; see also Ackerman & Bauer, 1976; Sethi, 1975). This pragmatism was also evident in the identification of social problems, especially in the CED report, that relied on the utilitarian approach found in economics that deals with measurable outcomes or impacts (Swanson, 1995). This utilitarian focus on outcomes was complemented by research during the CSR3 phase that explored the roles of values and ethics in determining them.

### **CSR3: Corporate/Business Ethics (1980s–1990s)**

Although there was a call for the business sector to respond to social pressure during CSR2, there was little inquiry into the values embodied in business organizations that made this possible. This changed in business and society research during the 1980s when management scholars emphasized values by addressing their role in organizational culture (e.g., Deal & Kennedy, 1982; Frederick, 1995; Schein, 1985). Some pointed to the influence of executive values on organizational decisions and outcomes (e.g., Hambrick & Mason, 1984; Schein, 1985; Swanson, 1996) and how executive philosophy drives external affairs strategy (Miles, 1987). William C. Frederick and James Weber (1987) compared the values of executives with those of union activists in order to understand the value differences that can cause contentious relationships between firms and their communities. Other business and society research investigated the values of all managers (England, 1975; Posner & Schmidt, 1984) in order to understand the direction of corporate America (Schmidt & Posner, 1982, p. 12, 1992). Social scientists who contributed to CSR3 research affirmed that values can be used to understand organizational behavioral dynamics because of their cognitive, affective, relational, and experiential attributes (see Frederick, 1995, pp. 14–20; Rokeach, 1973).

Overall, this research demonstrates that the values enacted in the workplace are largely determined by an organization's culture (Treviño, 1990). Moreover, certain kinds of culture can cause managers to be morally mute or silent about ethical issues (Bird & Waters, 1989) or morally stressed or anxious about the ethical dilemmas they face (Waters & Bird, 1987). Some scholars associated these deficiencies with a failure of leadership that contributes to unethical work climates (Victor & Cullen, 1988), unethical subordinate behavior (Posner & Schmidt, 1984), and a lack of employee cohesiveness and shared understandings (Schein, 1985). Others proposed that these shortcomings contribute to poor economic, social, and environmental performance (see Frederick, 1995; Schwartz, 1991; Swanson, 1996, 1999), which suggested that values should be linked across levels of analysis. This potentiality was buttressed when Bradley Agle and Craig Caldwell (1999) published a framework that sorted the theoretical and empirical research on values according to these levels. The integrative perspective on corporate social performance, given later, is designed to leverage this disaggregation by featuring the role of values in executive decisions aimed at directing a firm to be socially responsible and the fact that individual and organizational values are required for this effort.

Again, social contract reasoning aims to find a moral ideal for the relationship under scrutiny. This ideal for the business sector can be formulated in terms of the macro values that society deems desirable. In his theory of business values, developed during CSR3, William C. Frederick (1992, 1995) identified these as economizing and ecologizing. These value processes will be detailed later for their relevance to the integrative perspective on corporate social performance. For now, it is important to point out that although CSR1 and CSR2 assumed the importance of desirable social values, it was not until CSR3 that a theory describing them was put forth.

In contrast to the contributions of management scholars and social scientists, much of it focused on explaining behavioral dynamics, the ethicists who shaped CSR3 research relied on principles found in normative philosophy. Their goal was to identify right and wrong conduct in business, and some used social contract thought experiments to deduce that for business to serve the social good, managers should attend not

only to their economic responsibilities, but also to constituents' claims to rights and justice, regardless of a financial cost-benefit calculus. The previous quotation from Thomas Donaldson (1989) represented their conclusion, drawn from a hypothetical social contract, that managers should pursue social betterment by striving to meet the expectations of various stakeholder groups and, in doing so, balance economic goals with rights and justice for a plurality of them (see also Collins, 1988; DeGeorge, 1990; Werhane, 1985). To a large extent, this approach aligned or brought together rights, justice, and duty (deontological) approaches to ethics (Swanson, 1995). For instance, a rights-based ethic seeks protections or extensions of individual entitlements. In the first case, negative rights amount to protecting an individual's entitlement to be free from harm and, in the second case, positive rights represent an individual's entitlement to have or pursue some benefit. Both these rights imply correlative duties for an agent: to restrain him or her from causing another individual harm in the first case or to help another individual obtain a benefit in the second.

Standards of justice that prize equality and fairness of opportunity are closely related to rights and correlative duties, because justice argues for conditions that justify negative and positive rights (Frederick, 1987). Many CSR3 ethicists used R. Edward Freeman's (1984) stakeholder model to apply rights, duty, and justice to various business firm constituents. For instance, the right for consumers to be free from product harm, a negative right, implies a corporate duty to prevent harm (a negative duty) and provide fair compensation (compensatory justice) in case harm occurs. On the other hand, a person's expectation of employment, a positive right to a benefit, must be offered on the basis of equal opportunity, according to standards of justice. Business ethicists emphasized a motivation for these duties that was not stressed in CSR1, CSR2, and other CSR3 research. Instead of focusing on the consequences of action, which is the utilitarian approach, business ethicists maintained that ethical action requires the respect for the moral personhood and dignity of others formulated by Immanuel Kant's duty-focused or deontological approach to moral philosophy (see Boatright, 1993; De George, 1990; Velasquez, 1982). The stakeholder model of the firm provided a way to design a map of a firm's duties to others, since it accounts for all groups and individuals



that can affect, or are affected by, the accomplishment of organizational purpose (see Freeman, 1984, p. 25). It was but a short step for ethicists to apply the Kantian concept of duty to this map, as did R. Edward Freeman and William Evan (1993) and Norman Bowie (1999), among others. The undergirding principle for this view is that stakeholders have a right not to be treated merely as means to corporate ends but rather as ends in and of themselves (Friedman & Miles, 2006). This is an expression of Immanuel Kant's categorical imperative to respect moral personhood. In terms of the three primary purposes of social contract inquiry given earlier, this respect should be freely given and not coerced.

As can be seen, the basic idea of CSR3 is that the quality of corporate culture and the ethical principles embodied in it helps define beliefs about right and wrong behavior for corporate agents and their treatment of stakeholders under the terms of the social contract (Frederick, 2008, p. 526; see also Phillips, 2003; Victor and Cullen, 1988).

## **A Stationary Classification of Corporate Social Performance Topics**

Business and society research has also been featured in corporate social performance models that build on each other (Carroll, 1999). From the early days of business and society research, these stationary models, or static classifications of research topics, have been viewed as steps toward theory building, especially since they show interrelationships among diverse topics from which an agenda for future research can be drawn (Jones, 1983).<sup>3</sup> Donna Wood's (1991) consolidation of corporate social performance topics represented a conceptual breakthrough in the use of this method because it is based on a sorting logic that subsumed all previous classifications (Mitnick, 1993), including those by S. Prakash Sethi (1979), Archie Carroll (1979), Thomas Jones (1983) and Steven Wartick and Phil Cochran (1985). Moreover, because it incorporates many of the topics featured in CSR1, CSR2, and CSR3, scholars have employed it to advance theory building and empirical research.

Akin to the purpose of social contract inquiry, Woods stationary classification can be used to assess the field's ability to answer questions

central to its mission of finding and developing a constructive business and society relationship (Melé, 2008; Swanson, 1995). The topics represented in this taxonomy are aggregated into the following areas:

1. Principles of corporate social responsibility expressed at the institutional, organizational, and individual levels of analysis
2. Corporate processes of social responsiveness, or the action counterparts to responsibility: environmental assessment, stakeholder management, and issues management
3. Outcomes of corporate behavior or social impacts, social programs, and social policies (Wood, 1991, p. 694)

The logic drawn from this distribution of topics is that principles of responsibilities should guide how corporations respond to society, given the outcomes at stake. The following principles of responsibility are consistent with the goal of social contract inquiry to define a moral ideal that is rationally acceptable to both parties.

*The institutional principle of corporate social responsibility*, now known as *the iron law of responsibility*, originated with Keith Davis (1973). This principle harkens to the terms of the social contract by stressing the need for business to retain social legitimacy, which is similar to asking the business sector to consent to be responsible under the terms of the social contract. However, the institutional principle asks for this consent by way of a veiled threat, a stipulation that will be revisited. In Davis's own words:

Society grants legitimacy and power to business. In the long run, those who do not use power in a manner which society considers responsible will tend to lose it. (p. 314)

This encompassing principle followed from Davis's (1960) earlier work in which he encouraged scholars to expand their understanding of business obligations beyond individual actions to look at business as an institution that affects the entire social system. This set the stage for *the organizational principle of corporate social responsibility* found in Lee Preston and James Post's (1975) CSR2 research that takes business and society to be interpenetrating, mutually adaptive systems. In keeping

with this understanding, the organizational principle holds that businesses are responsible for outcomes that can be traced to their economic activities. Donna Wood (1991) relied on this understanding to state the organizational principle of responsibility as:

Businesses are responsible for outcomes related to their primary and secondary areas of involvement [i.e., economic impact] with society. (p. 697)

In other words, a firm is responsible both for economic outcomes and the consequential effects that stem from them (Wartick & Cochran, 1985, p. 761). This principle takes into account the problem of negative externalities that are recognized in economic theory as a rationale for public policy. For example, pollution can be an outcome of a firm's primary economic function (or involvement with society). In such case, a firm has the responsibility to respond to public policy designed to address it, which establishes a justification for intervention when the social contract is violated. In this way, the organizational principle reflects the notion of negative duty (the obligation to do no harm) that was emphasized by CSR3 ethicists. Yet the concept of duty in the organizational principle relies not only on the need to comply with public policy but also to the necessity of responding to patterns of social direction and emerging issues (Preston & Post, 1975, p. 57). Chapters 4 and 5 will stress that the CSR leader must be capable of recognizing and assessing such patterns and issues proactively.

Finally, *the individual principle of corporate social responsibility*, informed by Archie Carroll (1979) and Donna Wood's (1990) research, holds that:

[m]anagers are moral actors. Within every domain of corporate social responsibility, they are obliged to exercise such discretion as is available to them, to socially responsible outcomes. (Wood, 1991, p. 698)

This principle, which assigns moral agency to managers, originated with Archie Carroll's (1979) four-part hierarchical classification of corporate social responsibilities. According to this model, economic and legal responsibilities are *required* by society under the terms of the social contract. By extension, not fulfilling these responsibilities would be

justification for intervention, according to the third social contract stipulation given earlier. On the other hand, ethical responsibilities not codified in law are *expected* from business, which recalls the broad meaning assigned to public policy in the organizational principle (i.e., the necessity of responding to patterns of social direction). Lastly, discretionary or voluntary responsibilities, largely understood to be philanthropic, are *desired* and increasingly *expected* by society, according to this model. Because the discretionary domain for corporate social responsibility in the individual principle of responsibility is equated to philanthropy, it recalls the charity principle in CSR1.

Besides the importance granted to economic goals, the individual principle conveys that legal and ethical responsibilities include both social and environmental standards that are required or expected by society, whereas voluntary philanthropy represents giving back to community to improve social or environmental conditions. As such, the four domains represented by the individual principle anticipated the triple bottom line standards for corporate responsibility that were developed later (see Carroll & Buchholtz, 2015, p. 56).

The *processes of responsiveness* in the corporate social performance model—environmental assessment, stakeholder management, and issues management—harken to CSR2 research that stressed the organizational mechanisms and behavioral patterns that allow managers to anticipate and respond to social pressure that demands negative duties from them. Since social pressure can come from stakeholder groups that lobby firms for policies to protect the natural environment, Donna Wood's model laid the groundwork for the triple bottom line goals that would become explicit in the integrative perspective on corporate social performance covered later in this chapter. Finally, the categorization of *outcomes of corporate behavior* in the consolidated model is consistent with the field's utilitarian approach that stresses the consequences of corporate conduct (Brady, 1985; Swanson, 1995). In Wood's model, these outcomes are featured *as social impacts, social programs, and social policies*.

Before turning to the integrative perspective on corporate social performance, it is important to highlight an unresolved separation issue in the stationary model.

## A Separation Issue: The Marginalization of Positive Duty and Moral Motivation

The original principles of corporate social responsibility stressed negative duty or society's expectation that corporations do no harm. The institutional principle did so by threatening that the business sector would lose legitimacy if it did not respond to society's expectations of responsible conduct. Likewise, the organizational principle implied that public policy and public pressure would force compliance if business did not refrain from causing negative externalities. The individual principle echoed this emphasis on negative duty by asserting that managers must necessarily follow the law and respond to the public's ethical expectations, both of which are forms of social control aimed at enforcing negative duty through authority or persuasion, respectively (see Harris & Carman, 1987; Lindblom, 1977). Indeed, Thomas Jones (1983), author of an early business and society model, observed that social control of business is *the* central concept in the field's research. Not surprisingly, therefore, it became the dominant theme in the principles of corporate social responsibility in the stationary model that followed. That is, the stationary model emphasized conditions that justify intervention under the terms of the social contract rather than the uncoerced acceptance of moral ideals that define them. This would appear to be an imbalanced use of social contract inquiry, according to the three purposes given for it at the beginning of this chapter.

The problem with this imbalanced emphasis on negative duty is that it marginalizes positive duty or the willingness to provide stakeholders with benefits motivated by respect for their moral personhood (Swanson, 1995). As a result, these two aspects of CSR3 research are relegated to a narrow range of discretionary responsibility, mostly equated with philanthropy, according to the individual principle's hierarchical arrangement of responsibilities in order of descending importance:

1. *Economic responsibilities*: Be profitable. This is the foundational responsibility upon which all other responsibilities rest. *This is required by society.*

2. *Legal responsibilities*: Play by the rules of the game, which the law codifies as society's view of right and wrong behavior. *This is required by society.*
3. *Ethical responsibilities*: Go beyond the law and do what is right and fair. Avoid causing harm. *This is expected by society.*
4. *Philanthropic responsibilities*: Contribute resources to the community and improve quality of life. *This is desired by society.* (Carroll, 1979)

Although Wood's stationary model was published in 1991, it is still widely referenced in business and society research.<sup>4</sup> Likewise, the above conceptualizations of responsibilities incorporated in it are the most durable and widely cited in the literature (Crane & Matten, 2004).<sup>5</sup> That said, it is important to remember what the stationary classification was designed to do. As a snapshot of business and society research *at a point in time*, it illustrates interrelationships among diverse topics that allows scholars to assess the field's ability to answer questions central to its mission of finding and developing a constructive business and society relationship. In the case at hand, it illustrates how the field at large has embodied separation consciousness in its marginalization of positive duty. To be clear, this *separation issue* is not the doing of any one scholar or group of scholars. Instead, it is artefactual of how business and society topics relate to one another. *A deciphering of these relationships shows that the marginalization of positive duty creates an unnecessary boundary between self and others and business and society, described in Chap. 1 as indications of separation consciousness.* This artificial boundary suggests that it is more important for managers to avoid harming stakeholders because of legal mandates or public pressure (negative duty) than for them to willingly provide stakeholders with benefits based on respect for their moral personhood (positive duty). The question then becomes: Is this a sufficient understanding of the social contract between business and society? The position taken here is that it is not. It relies too much on coercion whereas social contract reasoning seeks uncoerced consent, as specified earlier.

*The problem is that this interpretation of corporate responsibility is not strictly amoral, but neither does it fully embrace morality.* It is not completely amoral because the individual principle does invoke social

contract logic to assign moral agency to managers (Wartick & Cochran, 1985). Yet, it is not fully moral because it relegates lesser importance to positive duty and the respect for moral personhood that motivates it. This issue was ameliorated when Archie Carroll (1999) advocated a broader interpretation of his four-part definition of corporate responsibility, as covered in the next section.

## **Integrative Corporate Social Performance: A Triple Bottom Line Social Contract**

I designed my perspective on corporate social performance to integrate and extend previous classifications of business and society research with the goal of pushing theory forward coherently (see Swanson, 1995, 2008, 2014). As part of this effort, my perspective is process-oriented in lieu of a snapshot of topics at a point in time. Before this perspective is covered, it is important to account for the macro value processes relevant to business organizations that were formulated during the CSR3 phase of business and society research and introduced earlier. These macro values illuminate the moral meaning of the social contract in my restated principles of responsibility. To preview, these principles can now be understood in terms of the triple bottom line.

### **Legitimate Business Values and Sustainability**

Although CSR3 research broached the subject of values and ethics in organizational life, it was William C. Frederick's (1992, 1995) theory during this period that provided the *macro* values relevant to the business sector itself, summarized as follows:

*Economizing*: Refers to the ability of organizations to efficiently convert inputs to outputs through competitive behavior. This process provides the goods and services for exchange in markets. Economizing is an essential societal process required for survival and material flourishing.

*Ecologizing*: Refers to symbiotic, integrative linkages between organizations and their host environments that function adaptively to perpetuate the entire community, including human, animal, floral and physical features of ecosystems.

*Mutualistic economizing*: Refers to symbiotic relationships or partnerships between organizations that facilitate both economizing and ecologizing. Compared to competitive economizing, mutualistic economizing has more potential to support human communities (Frederick, 1995, pp. 9–10, 161).

*Power aggrandizing or power seeking*: Refers to status-enforced, self-centered behavior in organizations that seeks to acquire and use coercive power through hierarchical arrangements. This power seeking, which often manifests as empire building, diminishes or comes into conflict with economizing and ecologizing.

Although economizing and ecologizing are subject to tradeoffs, as when a firm's production produces pollution that harms people and the natural environment, these value processes can also be symbiotic, as in the case of *mutualistic economizing*. This mutualism occurs when a firm seeks its own economic advantage while permitting exchange conditions that allow the other party to gain some benefits (Frederick, 1995, 2006). When such mutualisms facilitate both economizing and ecologizing, they can be formulated as economic, social, and environmental impacts (Swanson, 2014; Swanson & Orlitzky, 2018), as shown in Fig. 2.1. For example, mutualistic economizing is occurring when corporations strengthen ties to local communities by making charitable contributions to non-profit organizations with a social or environmental mission, a situation reminiscent of the focus on philanthropy in CSR1. Another example of mutualistic economizing is when a firm partners with a public university to further its mission of producing renewable energy or eradicating dangerous diseases such as cancer and ebola. In such cases, firms may enjoy reputational advantages that pay off financially, a prospect that is associated with the cause marketing and cause branding covered in Chap. 1.

The integrative perspective on corporate social performance takes economizing, ecologizing and mutualistic economizing to be the value



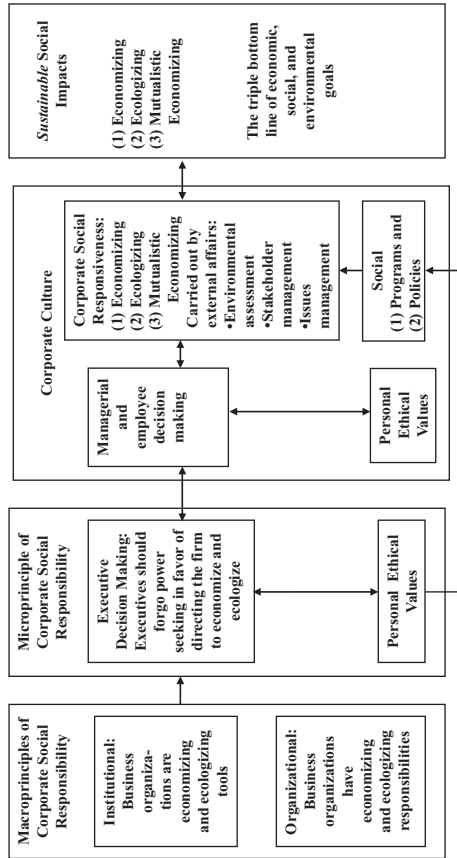


Fig. 2.1 An integrative model of corporate social performance. Adapted with permission from Swanson (1995)

processes that society expects the business sector to endeavor. Altogether, these value processes represent the joining of economic goals with social and environmental responsibilities. Hence Fig. 2.1 depicts corporate responsibility in terms of triple bottom line standards or *sustainable social impacts*, a formulation consistent with how John Elkington (1994) originally conceived of sustainability as an umbrella term for triple bottom line performance.

## Revisions to Corporate Social Performance Topics

The integrative perspective brings three aspects of corporate social performance more closely together in that *corporate social responsibility* and *corporate social responsiveness* are shown to be interrelated in values-informed decision processes aimed at *responsible social impacts*, which are formulated in terms of the triple bottom line.

The restated principles of responsibility combine Frederick's (1992, 1995) macro theory of values with social contract reasoning. The two *macroprinciples of corporate social responsibility* pertain both to business as an institution and to business as organizations. The first macroprinciple, the *institutional principle*, states that business as a system has legitimacy if it functions as a tool for economizing and ecologizing. The second macroprinciple, the *organizational principle*, indicates that these are the responsibilities of individual business firms. The integrative model adds a new *microprinciple of corporate social responsibility* that features responsible executive decision making: executives should forgo power seeking in favor of directing a firm to economize and ecologize. This microprinciple harkens to the idea, represented in Donna Wood's (1991) model, that managerial discretion counts. However, it stresses that the discretion of managers and other employees is largely determined by the value premises of executives who are situated at the apex of organizational life (Simon, 1957; see also Jackall, 1988; Perrow, 1986). In keeping with CSR3 research, Fig. 2.1 also shows that an executive's ethical values influence his or her decisions (see also Oliver, 1999), including the choice to forego power aggrandizement in order to retain social legitimacy. Otherwise, power abuses would be a violation of the social contract and a justification for intervention.

The long arrow at the bottom of this figure denotes that executive personally-held values also influence the social programs and policies that drive external affairs management activities—environmental assessment, stakeholder management, issues management—and, ultimately, a firm’s impacts on society. This illustration is consistent with Robert Miles’ (1987) finding that executive philosophy drives external affairs strategy. That said, the integrative model departs from the stationary model in the following manner. Whereas the stationary model gives social programs and policies as outcomes of corporate behavior, the integrative model presents them as outcomes of organizational decision processes that lead to social impacts that can be assessed in terms of the triple bottom line. The emphasis on values in executive and employee decision making accommodates their role in shaping how an organization’s culture responds to the external environment (see Posner, 2009; Schein, 2010). The affinity between values and ethics in the integrative model is explained next.

### The Role of Ethical Values

The term *ethical values* in Fig. 2.1 bridges the values and ethics research in CSR3 by indicating that these two concepts are closely related. This occurs because an individual’s personally-held values significantly influence his or her beliefs about the rightness or wrongness of behavior (see Carroll & Buchholtz, 2015, pp. 205–209). These beliefs are typically understood in terms of ethical standards for rights and justice (Carroll, 1991; Meglino & Ravlin, 1998; Swanson, 1995). This complementarity between values and ethics applies to stakeholder preferences. For instance, when stockholders assert their *right* to accountability, they are indicating that they *value* it as a *fair* outcome. Similarly, when consumers assert their *right* to safe products and *fair* compensation when defective products cause harm, they are communicating that they *value* safety and compensatory justice. In sum, ethical principles related to rights and justice can be understood as value preferences. Two way arrows in Fig. 2.1 illustrate that the ideal scenario is for external affairs employees to detect stakeholder value preferences and relay them to executives and other

employees. That way, organizational decision processes can include information about society's expectations of responsibility. Although employees typically look to the executive for directing these responsibilities, the integrative model shows that their willingness to carry them out is affected by their personally-held ethical values as well. This understanding comports with research that shows that personally-held values and ethical principles are bound up in driving behavior in corporate culture (Carroll & Buchholtz, 2015 p. 205). The term "ethical values" or simply "values" will be used from here on to refer to the integration of ethics and values in the organizational decision making processes in Fig. 2.1.

### **The Incorporation of System's Logic**

The continuous communication of stakeholder value preferences throughout the organization, as well as feedback from external affairs regarding the efficacy of social programs and policies designed to address them, can be seen as an elaboration of the system's logic embodied in the former organizational principle of responsibility that takes business and society to be interpenetrating systems. This process-orientation allows the internal transmission of information about stakeholder expectations to be seen as significant in shaping how an organization responds to society (Swanson & Orlitzky, 2017). In terms of sustainability, various stakeholder groups may expect the economic prosperity that profits can enable by way of economizing, as well as the well-being of the community and the natural environment that the business sector can also support by way of ecologizing (see Orlitzky & Erakovic, 2008; Waddock, 2009; Waddock & Smith, 2000). Discussed earlier, stakeholders often articulate such expectations in terms of rights and justice. For example, local citizens may assert their right to clean water and the expectation of fair compensation if despoiled water can be traced to a firm's operations. According to Fig. 2.1, public affairs specialists should discern such triple bottom line expectations and assess a firm's performance in meeting them.

All considered, the integrative perspective enhances theory building possibilities because it incorporates systems thinking about information transmissions and feedback within an organization and between an

organization and its external stakeholders. This systems perspective links levels of analysis—individual, organizational, and societal—while also pointing to the prospect of inter-organizational dynamics if a business firm partners with another organization in pursuit of mutual economizing. The following section touches upon how such symbiotic relationships can redefine the frontiers of corporate social responsibility.

## Impacts That Are Socially Responsible

According to Fig. 2.1, a responsible business organization provides positive triple bottom line impacts by economizing, ecologizing, and engaging in mutualistic economizing. That said, a singular project might not contribute to all three outcomes. Hence, the correct interpretation of Fig. 2.1 is that the responsible executive construes a firm's goals in terms of a *portfolio of triple bottom line projects*. For instance, a firm can simply ecologize if it contributes to a philanthropic cause that benefits the community but not its financial bottom line. However, since economizing takes place in a community context (Frederick, 1995), a firm's charitable contributions to social or environmental causes may enhance its reputation among stakeholders (see Fombrun, Gardberg, & Barnett, 2000). If so, such contributions may pay off financially, especially if consumer demand increases because of them. Indeed, business strategists Michael Porter and Mark Kramer (2002) assert that such contributions are both strategically sound and socially responsible if they enhance a firm's competitive context so that consumer demand or employment conditions that benefit a firm are improved. Again, such synergies should be accounted for in a portfolio context.

Mutualistic economizing extends the possibilities for such synergies, as when a firm *partners with another organization* to pursue profit while also providing exchange conditions that lead to social or ecological benefits. Such mutualisms can create new social networks when the partner organizations have stakeholders in common (see Slaper & Hall, 2011). The example given previously was a firm partnering with university to produce renewable energy, an arrangement consistent with the discussion of cause marketing and cause branding in Chap. 1. Such partnerships, and the new networks that they are creating, could alter the landscape of

corporate social responsibility and significantly increase the potential for organizations to contribute to the greater good under the terms of the social contract.

## The Importance of the Executive Mindset

The significance of the executive was acknowledged in all three phases of CSR, especially in CSR3 research that addressed the executive's role in shaping organizational culture. Accordingly, Fig. 2.1 shows that corporate social responsiveness is a function of decision processes in organizational culture that are largely influenced by the executive's values. This raises the moral significance of executive leadership, which William C. Frederick (1995) speaks directly to:

You are societal custodians and caretakers of one of nature's most important and vital forces from which many draw sustenance and find their way toward life goals. The influence you are able to exert on that economizing process—whether supportive of life goals or denigrative of human purpose—will be judged on moral grounds. (p. 300)

This view harkens to social contract reasoning and its purpose to establish a moral ideal that is rational to both parties. According to the stewardship principle in CSR1, the moral ideal for executives is to function as fiduciary guardians or public trustees of society's resources. Frederick raises this ideal by stressing that executives should use these resources prudently, because what is at stake is life itself. *Put differently, what could be more humanly rational than to support life and its host environment?* The remaining chapters will theorize about the type of executive leader who is up to this task. Meanwhile, Fig. 2.1 highlights three stipulations for the CSR executive that set the stage for further analysis.

- The CSR executive must be receptive to the role that values have in organizational decision processes.
- The CSR executive must understand the significance of external affairs employees who span the permeable boundary between the firm and its external stakeholders.

- The CSR executive must understand that business organizations are society's main *tool* for providing positive triple bottom line impacts.

The third stipulation is consistent with the new institutional principle of responsibility, which states that the business system has legitimacy if it functions as a tool for economizing and ecologizing. In this vein, Philip Selznick (1957, 1992) famously said that organizations become institutions when they adapt to social values beyond technical requirements. Their legitimacy depends on whether they are perceived to act in a manner consistent with desirable social values (Suchman, 1995, p. 574). In terms of practical action, such institutionalization requires an ability to calculate the relationship between means and ends (Colyvas & Powell, 2006), which is similar to knowing how to use a tool for a desired purpose. The corollary is that the CSR executive will adopt a tool-use mentality and select organizational means that enable positive triple bottom line impacts. This tool use mentality will be covered in Chap. 5, and its affinity to scientific inquiry will be addressed in Chap. 6.

## Separation Problems Revisited

The separation fallacy, described in Chap. 1 as a partitioning of “the descriptive” (facts) from “the normative” (ethics and values), was never a good option for a field interested in clarifying the nature of corporate obligations under the terms of the social contract. The complementarity of values and ethics in CSR3 research was a clear rejection of this fallacy and the positivist tradition in Western thought that reinforces it (see Frederick, 1995, p. 15). As such, the business and society field was the first among management fields to indicate a distinct discomfort with standard economic theory and its justification of amorality (see Chap. 1). Not that expressions of this discomfort have been completely coherent, as the stationary model's marginalization of positive duty and the moral motivation for it illustrate. That said, the arc of social contract reasoning in business and society, from CSR1 to CSR3, has been to unify the descriptive and the normative, which the integrative model of corporate social performance exhibits as interwoven in organizational decision processes.

Chapter 1 identified other separation problems as artificial divisions between subjects and objects, self and others, facts and values, means and ends, and humans and nature that reproduce distinctly dualistic spheres for business and society. The institutional principle of responsibility discarded the idea of dualistic spheres for business and society by conveying that they are interpenetrating systems. Moreover, the integrative model (Fig. 2.1) shows that a firm's external affairs specialists span a permeable boundary between an organization and society. It follows that business is not a subject separate from an objectified society. Instead, there is the continuity of a relationship. Additionally, the separation of means from ends is rejected in the integrative perspective because decision making in organizational culture is seen as means to the ends of sustainable impacts. Since these impacts include those that preserve the natural environment, a strict demarcation between humans and nature is also abandoned. So is the contrived separation of self from others, since positive duty requires a self that extends itself to others by willingly providing them with positive benefits based on respect for their moral personhood. In this way, the separation issue reflected by the stationary model is ameliorated. Archie Carroll (1999) also amended this issue when he clarified that managers should consider his four dimensions of responsibility simultaneously in decision making instead of ranking them in order of decreasing importance. This clarification helped resolve the marginalization of positive duty and the moral motivation for it described earlier and justified placing negative and positive duties on the same footing in Fig. 2.1 and linking them to ethical values in organizational decision processes.

Indeed, the integrative model incorporates an important role for positive duty and its moral motivation in these decision processes. It does so by showing that economizing, ecologizing, and mutualistic economizing are the goals of responsible decision making. Given that ecologizing can be served by philanthropy, and economic and social goals by mutualistic economizing, there is no reason to sideline positive duty. For if the values of executives and other employees include a preference to give back to community based on a respect for others, then positive duty and its moral motivation are integral in decision making. This goes to the importance of identifying the values that can facilitate positive duty, a subject taken up in Chap. 5.



It is important to note that the artificial separation of self and others was implicitly challenged decades ago by CSR3 scholars who invoked Immanuel Kant's duty-based categorical imperative, best known as: Act only according to that maxim by which you can at the same time will that it should become universal law. Put differently, act only on rules that you would be willing to see everyone else follow (Boatright, 1993). This imperative bears an affinity to social contract reasoning, since both rely on rationality as the basis for formulating moral ideals. The categorical imperative suggests that rational humans realize that they are not separate from others. *Instead, what affects one affects all.* In this way, separation consciousness has long been challenged by the duty-based ethicists in the business and society field. However, their view was not fully incorporated in the stationary classification of corporate social performance. The integrative perspective (Fig. 2.1) was designed to address this separation issue and provide a more coherent blueprint for unity consciousness in business and society. To reiterate, unity consciousness perceives continuity among subjects and objects, self and others, facts and values, means and ends, and humans and nature. Informed by the integrative model of corporate social performance, Chap. 5 will identify some realizations necessary for an executive who can lead an organization to unity consciousness.

According to Chap. 1, separation consciousness has functioned as an obstacle to a holistic perspective on corporate social responsibility. Yet, Chap. 1 also described some developments in practice that suggest that this divisive consciousness is in decline. The evolution of business and society research corroborates this proposition.

## Corporate Global Citizenship and the Triple Bottom Line

William C. Frederick (2008) holds that the meaning of corporate global citizenship in CSR4 research, which began in the 1990s, includes insights from the first three phases of CSR, but with a broader scope. In particular, corporate citizenship that is global must necessarily think beyond domestic philanthropy (CSR1) and public policy and social pressure (CSR2). For Frederick it is a matter of scale: today's multinational corporations are

citizens not only in one or two nations, but in all societies in which they operate (see also Waddock, 2009). In his own words:

Globalization—the penetration of market-driven corporate enterprise into societies everywhere—has been accompanied by disruptive and often ruinous environmental and ecological damage: despoliation of air, rivers, oceans, arable land, forests, natural habitats, potable water supplies, food stocks, and depletion of mineral caches. Small and medium-sized firms (SMEs) are driven out by the competition of bigger, more powerful multinational enterprises (MNEs). National labor policies, social welfare programs, health care institutions, public taxes, currency systems, communication and transportation networks face review and painful reform by local governments. Some lesser developed regions are lifted up economically by a surge of new jobs while formerly prosperous locales suffer precipitous decline. The consequent political unrest and instability following these massive economic transitions render the governance of civil society increasingly complicated. (Frederick, 2008, p. 527)

Andrew Savitz (2013) agrees that global challenges necessitate an expanded citizenship role for corporations:

So we live in a world that seems to lack effective governance yet faces global environmental and social problems that demand action. Partly as a result of the political power void, corporations are now increasingly expected to deliver public benefits and play a positive role in shaping the environmental, economic, and social landscape. (p. 37)

The many compacts and codes geared to international business are essentially expressions of social contract reasoning that is wide-ranging. Necessarily, these codes cannot rely on social control of business by laws and public policy alone, because these expectations of negative duty vary across the globe. Therefore, as Savitz asserts, there is a significant role for positive duty in corporate global citizenship in the form of obligations that are not coerced or elicited by social control.

Although there is presently no universally accepted reporting standard for this citizenship, the Global Reporting Initiative (GRI) is a widely used and comprehensive framework for reporting on triple bottom line

performance. Established in 1997, this initiative brings together business executives, accountants, social and environmental activists, labor organizations, the United Nations Environmental Programme, and governments in order to enhance the comparability and legitimacy of triple bottom line reporting standards worldwide (Global Reporting Initiative, 2012). The GRI links sustainability metrics to human resource management practices designed to improve employee wellness, human rights, wages and benefits, training and career development, volunteerism, and community activities (Savitz, 2013, p. 177). The inclusion of triple bottom line standards in the human resource management field is touched upon in the discussion that follows.

## Triple Bottom Line Developments in Other Management Fields

During the first two decades of the twenty-first century, triple bottom line thinking gained traction in other management fields, including strategic management, operations management, and human resource management. This development suggests that an unprecedented agreement about social contract standards for business is coalescing across management disciplines.

### Strategic Management

Soon after the turn of the century, business strategists Michael Porter and Mark Kramer (2002) proposed that firms could contribute to society strategically. This alignment, introduced earlier, might be achieved by corporate giving that improves a firm's competitive context (Driver, 2012). For example, a firm could provide training to low income youth to enhance the labor pool from which it draws. Or, a company that manufactures computers could donate a sizable number of them to public schools in hopes that the eventual demand for its brand would increase (Carroll & Buchholtz, 2015, p. 475). Finally, a firm that manufactures fuel efficient vehicles could support university research designed to improve fuel efficiency. These

examples demonstrate the potential for aligning economic, social, and environment goals. Porter and Kramer (2002) explain that:

There is no inherent contradiction between improving competitive context and making a sincere commitment to bettering society. Indeed, as we've seen, the more closely a company's philanthropy is linked to its competitive context, the greater the company's contribution to society will be. (p. 16)

Porter and Kramer (2006, 2011) describe this “bettering of society” as the creation of *shared value*. Some aspects of the shared value proposition are similar to those found in business and society research, including that business and society are interpenetrating systems and that profit, social, and environmental goals can go hand in hand, as in the case of mutualistic economizing. However, Porter and Kramer (2006) put more emphasis on strategic opportunities to create shared value by integrating value chain practices in competitive contexts. They report, for example, that:

Sysco ... the largest distribution of food products to restaurants and institutions in North American, has begun an initiative to preserve small, family-owned farms and offer locally grown produce to its customers as a source of competitive differentiation. Even large global multinationals—such as General Electric, with its “ecomagination” initiative that focuses on developing water purification technology and other “green” businesses, and Unilever, through its efforts to pioneer new products, packaging, and distribution systems to meet the needs of the poorest populations—have decided that major business opportunities lie in integrating business and society. (p. 91)

This emphasis on leveraging the value chain brings operations management into focus. This field too is incorporating triple bottom line standards in research on sustainable supply chains.

## Operations Management

The Center for Industrial Research and Service (CIRS, 2012) at Iowa State University provides a guide to sustainable supply chains that features tools

and knowledge for businesses that want financial, social, and environmental success. It summarizes sustainable supply chain research by pointing out that:

One of the key aspects of sustainability is the holistic view that is applied in understanding the total impacts of products and services and focusing improvements on areas with the most impact. This approach encompasses both the entire life cycle of a product or service and the entire supply chain of that service. (2012)

David B. Grant, Alexander Trautrim, and Chee Yew Wong (2013) add the following from their book on sustainable logistics and supply chain management:

To reduce immoral and amoral managers and to create more moral managers, corporates need to embed social responsibility, environmental responsibility and ethical culture into their organizations and their suppliers' organizations. Many commercial and non-commercial organizations have now developed their own ethical codes or codes of conduct. (p. 191)

These authors list the many areas covered by these codes, including labor and supplier practices that protect and enhance the social and natural environments. It is reasonable to think that operations management research will continue to incorporate triple bottom line standards, especially given that companies are increasingly incorporating sustainability in their decisions and actions (CIRS, 2012).

## Human Resource Management

With the publication of *Talent, Transformation, and The Triple Bottom Line*, Andrew Savitz (2013) demonstrates that a firm's sustainability efforts depend to a large extent on integrating human resource management strategy, business strategy, and sustainability strategy. He points to the cultural and demographic changes in society that make this integration timely:

The most significant of these changes is the steadily increasing desire of growing numbers of people to support and work for organizations that

are making a positive difference on the environment and on society—organizations that are trying to do the right thing. It's especially true among today's youngest generation of employees, the large demographic cohort born (by one definition) between 1978 and 2000, often called Generation Y or the millennials, whom numerous studies have shown to be one of the most socially and environmentally conscious generations in the history of the United States and the world. [S]mart companies are finding ways of turning this values shift—and the inevitable changes in corporate culture that it will bring—to their advantage. (pp. 39–40)

The role of human resource management in sustainability will likely increase, given the trend among firms of engaging employees in projects that advance social and environmental aims. For instance, a survey by Ernst & Young (EY, 2011) finds that the practice of employee education and engagement in sustainability has spread rapidly and evolved into a more institutionalized element of companies' broad sustainability strategies. The business case for doing so is that it improves the bottom line by helping firms attract and retain talent and build shareholder value over the long run (Alhaddi, 2015; p. 28; see also Luthans & Peterson, 2001). Given these prospects, it is reasonable to expect more human resource management research in sustainability in the future.

## A Preview of Separation Consciousness in Theory and Practice

This chapter has shown that several decades of social contract reasoning has led to the formulation of corporate responsibility as positive triple bottom line impacts. The integrative model of corporate social performance features the executive's role in making these impacts possible. The research on which this model is based and developments in other management fields supports the proposition that separation consciousness has run its course. The significance of this possibility is buttressed in Chap. 3 where separation consciousness in executive decision making is shown to be a profound violation of the social contract.

## Notes

1. This chapter is informed by my previous modelling of corporate social performance research, especially Swanson (1995, 1999, 2013, 2014). The 1999 article was awarded *Best Article in Business and Society* in 2001 by the International Association for Business and Society in association with *California Management Review* and the 2014 book was a finalist for Best Book Award in the Social Issues in Management Division of the Academy of Management in 2015.
2. Because the business and society field is eclectic, not all of its scholars are inclined to use a pure thought experiment that assumes a state of nature (or blank slate) for delineating the terms of the social contract between business and society. Those scholars most likely to use the purely hypothetical thought experiment have backgrounds in philosophy or political science. Otherwise, those who examine the nature of the social contract in the context of contemporary conditions most likely have backgrounds in management, economics, engineering, sociology, the law, psychology, administrative science, and anthropology. Different backgrounds notwithstanding, an interest in the nature of the social contract between business and society has been central to the field from its beginning.
3. Corporate social performance (CSP) models are widely cited, and their influence is evident in several research streams. These include business ethics (e.g., Weaver, Treviño, & Cochran, 1999), corporate citizenship (e.g., Altman & Vidaver-Cohen, 2000; Waddock, 2009; Windsor, 2001), corporate global citizenship (e.g., Scherer & Palazzo, 2008; Wood, Logsdon, Lewellyn, & Davenport, 2006), corporate reputation (e.g., Alexander & Buchholz, 1978; Cochran & Wood, 1984; Orlitzky & Swanson, 2012; Wartick, 2002), CSP and corporate financial performance (e.g., Griffin, 1997; McWilliams & Siegel, 2000; Orlitzky, Schmidt, & Rynes, 2003; Waddock & Graves, 1997), CSP disclosures and social audits (e.g., Spicer, 1978; Wolfe, 1991), and stakeholder analysis (e.g., Clarkson, 1995).
4. As of this writing, Donna Wood's (1991) stationary model has been cited 5528 times, according to Google Scholar.
5. As of this writing, Archie Carroll's (1979) four part model of corporate responsibility has been cited 9935 times, according to Google Scholar.

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# 3

## Executive Dissociation Unbefitting the Social Contract

The case has been made that non-participating consciousness has dominated the Western mindset since the Scientific Revolution. As Morris Berman (1981) explains, this mindset followed from the mechanistic idea in science that humans can know the natural world only by distancing themselves from it, a belief that will be revisited in Chap. 6. The resulting separation consciousness sharply divides subjects from objects, self from others, facts from values, means from ends, and humans from nature. Although the two previous chapters identified signs that separation consciousness may be declining, it is still a force with which to be reckoned. For example, the fact that business schools have not expunged the amorality that goes along with it is problematic. It means that business students, our future leaders, are implicitly given permission to ignore responsibilities to others in their decisions. Essentially, most business schools are not speaking clearly to the other-regarding values of their own millennial students. Polls show that these students have a high sense of civic duty and want to help make the world a better place (Hutt, 2016; Richards, 2015). Given these ideals, any amoral business education they undertake will likely amount to an exercise in cognitive dissonance or, worse, cause them to reject the ideals they held when they started their



program of study.<sup>1</sup> This situation helps keep a widespread insistence on responsible corporate leadership at bay. It also undermines the moral imperative of the social contract, which is that corporations should provide positive economic, environmental, and social outcomes to society. Outlined previously, these are the triple bottom line goals or macro values for which business organizations should strive, if they are to function as good stewards of society's resources.

Building on the classification of business and society topics developed in Chap. 2 (Fig. 2.1), this chapter describes the type of executive incapable of directing a firm to enact these goals and, in the process, create shared consciousness between the firm and its stakeholders about the values at stake. The decision making premises of this executive-type are consistent with tenets of economic theory that are still influential in business education and practice. To cut to the chase, the mindset implied by these tenets is dissociative and the resulting organizational and societal outcomes violate the aspirational triple bottom line standards of the social contract.<sup>2</sup> In other words, corporate social responsibility is impossible under the circumstances. By scrutinizing these matters, this chapter sets the stage for an executive mindset capable of leading corporate social responsibility, to be described in the chapters that follow.

## Dissociation in Standard Economic Theory

Standard economic theory, also known as “neoclassical economics,” has a distinct formulation of choice based on tenets that are rarely acknowledged or confronted. This chapter examines these tenets to demonstrate that they cannot be the basis for socially responsible leadership in theory or practice. However, a cautionary note is in order. This scrutiny does not deal with the full range of standard economics or its various offshoots. The focus is on the *tenets of choice* embedded in this theory and the type of decision making and organizational and societal outcomes they imply. It is important to understand the premises of any theory before taking its prescriptions seriously (Hausman & McPherson, 1996, p. 5). Since neoclassical economics is widely accepted and taught in well-known universities and their business schools, it is necessary to grasp what its precepts

for choice stand for. To preview, they shore up separation consciousness and can be invoked to justify business's freedom from social responsibility, a perspective at odds with the trajectory of business and society research covered in Chap. 2.

## Tenets of Choice

The logic of standard economic theory is rooted in the Commercial Revolution of the seventeenth century that preceded the emergence of the Scientific Revolution in Western Europe| (Kishlansky, Geary, & O'Brien, 2007). These overlapping movements resulted in a profound change in how humans view the world, most notably a shift to dissociative thinking.<sup>3</sup> This sense of separation was eventually embedded in standard economics vis-à-vis utility theory that holds that freestanding, self-interested individuals will seek satisfaction or utility by making choices in markets that maximize their pleasure and minimize their pain. This formulation of self-interest was equated with rational choice. Moreover, utility theory implied rationality for the whole system, since it predicts that markets under conditions of competition will tend to allocate material benefits so that economic efficiency and the greatest social satisfaction result (Etzioni, 1988; Hausman & McPherson, 1996). The gist of this prediction is that autonomous individuals motivated by pleasure seeking make market-based exchanges of reciprocal advantage that culminate in the greatest quantity of human satisfaction. Narrow self-interest and the greatest good became inextricably linked, the former modeled as choice that could be measured and aggregated across individuals (Ferguson, 1950).<sup>4</sup> In the process, the economic person was granted unprecedented autonomy and freedom of choice (Etzioni, 1988).

Temporally speaking, this theory focuses on the long run, since it presents mechanical forces of supply and demand as *tending* to move toward equilibria that are socially optimal. The problem with this focus is that it justifies not searching for solutions to economic dilemmas in the present (Lekachman, 1976). John Maynard Keynes (1923, p. 74) seemed to say as much when he quipped that “in the long run we are all dead.” Moreover, because it excludes power-seeking behavior from the market system

(by relegating it to the political realm), standard economics takes market exchanges to be mutually beneficial, based on cooperation and consensus. In other words, standard economic theory takes self-interest among freestanding individuals who act autonomously to be both rational and socially integrative (see Gilpin, 1987; Robinson, 1962). Given that this narrow self-interest is predicted to yield desirable outcomes, a preference for freedom of choice is axiomatic in theory.

To recap, the fundamental building block of standard economics is a distinct formulation of choice that is equated with the greatest good in some future time period. Its tenets include rationality, a pain-pleasure principle of satisfaction, autonomy, and freedom. The theory is mechanical in the sense that it relies on Newtonian logic about market forces and resulting equilibria and a mathematical formulation of utility that defines them. This perspective on self-interest sidelines other matters of choice, which brings us to its fallacies.

## Fallacies of Choice

Utility represents a singular view of choice. Henry Hazlitt (1946) speaks to the fallacies of economic theory in general and singles out its view of choice in particular:

Economics is haunted by more fallacies than any other study known to man. This is no accident. The inherent difficulties of the subject would be great enough in any case, but they are multiplied a thousandfold by a factor that is insignificant in, say, physics, mathematics or medicine—the special pleading of selfish interests. (p. 1)

In conjunction with its singular view of self-interest, standard economics treats facts and values as separate realms of human experience (see Redman, 1994). Hence, this school of thought has no reason to address moral considerations. Daniel Hausman and Michael McPherson (1996) take issue with what amounts to its prescription for amorality:

[T]he view of rationality that economists endorse—utility theory—may not provide a rich enough picture of individual choice to permit one to

discuss the character, causes, and consequences of moral behavior. Economists need not of course aspire to provide a general theory of human action. Yet they should not shrug their shoulders at the difficulties in meshing moral behavior with economic rationality. For it seems that moral behavior may have important consequences for economic outcomes, and the propagation of utility theory has moral implications. (p. 65)

In *The Moral Dimension: Toward a New Economics*, Amitai Etzioni (1988) calls for a theory of economics that can accommodate the values of community life instead of granting priority to freestanding individualism that ignores them. He finds special fault with the concept of utility in neoclassical economics:

[T]he neoclassical paradigm is too simple: it does not include a pivotal distinction between the sense of pleasure—derived from consumption of goods and services, and from other sources—and the sense of affirmation attained when a person abides by his or her moral commitments. These moral commitments are the main source of deontological judgements people pass over their urges (whether natural or reflecting socialization). (p. 36)

To put this paradigm in context, the idea of narrow economic self-interest that emerged in the wake of the Commercial Revolution came about after a formerly powerless merchant class challenged the rights of kings to regulate feudal economies (Ferguson, 1950). Some influential philosophers at the time feared that the new order would bring about chaos and conflict by upsetting the stability of a social system dictated by feudalism. These philosophers eventually seized upon the “invisible hand” of markets as a mechanism for claiming that the public interest could be aligned with that of an emerging business class (Hirschman, 1981; Sahlins, 1976). Progress was acclaimed as business was ideologically released from the traditional ideals and restraints of moral community while the individual economic actor was granted unprecedented autonomy and freedom of choice (Etzioni, 1988). According to Carl Beck (1932), continuity with medieval thought was preserved in that the architects of the new order simply substituted an invisible hand in markets for unseen intervention from god. Just as a sacred force was reformulated as secular (Nelson, 2001), a

newly-conceived autonomy separated the individual from an all-encompassing moral community.

The exclusion of deontology or duty to others in this now longstanding economic paradigm has curbed social contract reasoning. By legitimating amorality, it keeps a coherent perspective on corporate social responsibility from taking hold in theory and practice. It does so by promoting the fallacy that business can and should operate outside of a community of shared values and aspirations (see Lorsch & Khurana, 2010). This mistaken belief is advanced by an emphasis on individual freedom that justifies ignoring obligations to others (Aram, 1993). Whenever Milton Friedman's (1970) famous statement against corporate social responsibility is raised, this "free to choose" mentality is apparent. Relying on the tenets of self-interest, especially freedom of choice, Friedman says this about a corporate social responsibility:

[I]n my book *Capitalism and Freedom*, I have called it a "fundamentally subversive doctrine" in a free society, and have said that in such a society, "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." (p. 126; see also Friedman, 1962)

Decades after this statement was made, it still functions as an obstacle to thinking about business in terms of a social contract that reflects community-minded values, especially since Friedman concludes that managers should *not* be moral agents. Of course, this conclusion is easily reached if one believes that unfettered markets will inevitably and eventually produce the best outcomes for society. Pursuant to this view, there is no need for business leaders to strive for socially responsible outcomes, especially since Adam Smith's metaphor of the invisible hand that leads markets to desirable ends can be resurrected to excuse them from doing so. However, this metaphor is more an article of faith than reality (Stiglitz, 2001, see also Ghoshal, 2005, p. 79). This faith is not innocuous. It can be entreated to absolve corporations from blame when they harm their environments (see Galbraith, 1996; Matthews, 2014). If not for this

oddly-placed faith in markets, corporations might have been forced to accept more responsibility for their negative spillover effects by now. The example given in Chap. 1 of unfettered mountain top removal in Appalachia and its deleterious effects on communities comes to mind (see also Biggers, 2013).

A mechanical economic theory that grants *unconscious* market forces more credence than *conscious* human choices diverts attention from the power managers have to misuse the bureaucratic means at their disposal (see Frederick, 1995, Perrow, 1986, Swanson, 1996) while relieving them of the responsibilities for their actions. Just like that, freedom of choice rationalizes *freedom to avoid responsibility*. This justification of amoral management is dangerous. As long as standard economics excludes power seeking from its purview, it cannot effectively address corporate greed and empire building that does not serve society. Instead, it tacitly approves of or ignores this behavior under the auspices of freedom. Take, for instance, the recurring waves of merger and acquisitions that seemingly do not violate what Milton Friedman (1970) calls “rules of the game.”<sup>5</sup> Yet many such consolidations result in downsizings that destroy stock value, especially for the acquiring firms. In fact, approximately three-quarters of them never pay off, and some inflict irreparable harm on the firms and communities involved (Lovallo & Kahneman, 2003), including a decline in social well-being that accompanies layoffs and economic instability (Silverstein, 2013; Stunda, 2014). To compound matters, research indicates that executive decisions to acquire or merge firms often are not rational. Many appear to have been driven by hubris (Roll, 1986) and the kind of power seeking that goes along with empire building (see Taylor, 1988). More commonly, these bad decisions have been attributed to cognitive biases, including a delusion of success due to unfounded optimism (Lovallo & Kahneman, 2003) and an illusion of control (Duhaime & Schwenk, 1985). By the same token, escalating commitments to these decisions are not uncommon among executives (Schein, 2010; Staw & Ross, 1987).

The point is that the assumption of rationality in executive decision making does not necessarily correspond to reality. Additionally, it risks treating irresponsible behavior as mere deviations from the norm of

rationality, as the term “cognitive biases” suggests. Such interpretations can inoculate irresponsible decisions from public policy scrutiny, especially when the right to freedom for the business sector is entreated. This state of affairs advances the perception that business can and should be allowed to function apart from the rest of society, which does little to advance responsible leadership under the terms of the social contract.

To summarize, the main problem with standard economics is that it functions as a standard bearer for separation consciousness in business and society. More specifically, its freestanding individualism dissociates self from others and business from community. Its assumption of rational choice deflects any scrutiny of irresponsible management from taking place, especially since it suggests that all will be well in the long run, if only markets are allowed to function free of interference. These conceptualizations create an artificial boundary between business and society that undercuts the very notion of a social contract based on shared understandings. The social contract is further undermined because values are excluded from analysis, which legitimates amoral business. Finally, this point of view uncouples means from ends in that it fails to task executives with using their organizations as means for socially beneficial ends.

The next section examines the executive mindset that corresponds to these tenets and the organizational dynamics and social outcomes implied. This analysis is important to undertake, since business education tends to reinforce amoral economics (Lan & Heracleous, 2010, p. 301). *This underscores a fallacy of context.* The tenets of economic choice were originally designed to address *market outcomes*. They cannot explain *organizational phenomena*, including executive decision making that affects organizational and societal outcomes. The first step in developing a theory of socially responsible business leadership is to ensure that economic fallacies do not taint it. Otherwise, freedom for self-gratification in markets can be equated with freedom for amoral self-aggrandizing management of business organizations (Swanson, 2014). This contamination of thought has served as an obstacle to developing a coherent theory of socially responsible leadership.

# Dissociative Executive Decision Making

## The Method of Ideal Typing

As previewed in Chap. 1, ideal typing is a method that accentuates the distinctive features of a phenomenon or its one-sided properties. This mode of inquiry relies on the theoretical construction used by the German social theorist and political economist Max Weber (1947) to draw logical implications across levels of analysis. Because this method accentuates a one-sided view of a phenomenon, it can be used to generate theoretical implications from existing classifications of research topics (Bailey, 1994). It is used here to generate implications from the revised classification of corporate social performance topics given in Chap. 2 (Fig. 2.1).<sup>6</sup> To review, this classification reflects the understanding that corporate social responsiveness is the means for enacting responsible corporate performance, conceptualized in terms of positive triple bottom line impacts. This classification also features the essential role of the executive in bringing these impacts about. Given the stakes, it is important to grasp how executive decision making can direct organizational processes that preclude or facilitate positive triple bottom line impacts (Swanson, 1995, 1999b, 2014). The executive mindset under scrutiny is dissociative in that it reflects the distinguishing characteristics of separation consciousness. As will be shown, this mindset is totally unsuitable for carrying out the terms of the social contract between business and society and creating shared consciousness of the values at stake.

It is important to stress that the prototype of dissociative executive decision making does not represent actual executives or specific organizations. Nor does it constitute full-fledged theory. Rather, this ideal type is a model of pure logic that can be used as a point of reference for theory development that incorporates the executive mindset as a driver of corporate social performance and shared value consciousness. Since the method of ideal typing can be used to link implications across individual, organizational, and societal levels of analysis, it is employed to personify dissociative executive leadership that drives organizational processes that culminate in a particular type of corporate social performance. As a



unified analytical construct, this model can be used to identify similarities with and deviations from it in actual cases of corporate social performance. It can also be compared to other pure constructs (see Weber, 1947). Such a comparison will be made when executive *dissociation* is juxtaposed with *executive association* in Chaps. 4 and 5.

Notably, the ideal type of executive dissociation corresponds with tenets of choice in standard economics. Indeed, standard economics is itself an ideal type (Coser, 2003; Gilpin, 1987; Maki, 2009). Accordingly, this chapter critiques its tenets with its own methodology. However, the context is different. Again, standard economics pushes autonomous, freestanding self-interest in *markets* to its logical conclusions, given conditions of competition. Conversely, the critique that follows pushes dissociative executive decision making in *organizations* to its logical conclusions, given conditions of organizational hierarchy and culture. It is important to understand what dissociation implies for organizations and society, especially since standard economic theory can be invoked to justify it and executives have abundant power to enact it.

Finally, this chapters' use of ideal typing is consistent with Gregory Bateson (1979, p. 7) call for theory that addresses the co-existence of human and social systems. Elsewhere, I have paraphrased his position as follows:

As biological organisms, organizations have bodies, minds (mental centers), and connecting communications systems. As organisms that are defined by their social dimensions, organizations are composed of humans who think, feel, perceive act, and interact. In general systems terms, the issues have to do with combining living systems (individuals) with nonliving systems (organizations). (Swanson, 1992, p. 42)

Bateson suggests that explanations of this phenomenon be attempted by mapping the description of a process onto an abstract tautology. This mapping is roughly approximated by considering corporate social responsiveness (a process described in Chap. 2) in terms of the schizoid tautology that represents the epitome of dissociation, described next.

## Schizoid Decision Tendencies Implied by Standard Economics

Tenets of standard economics insinuate several interrelated decision making tendencies. Oddly enough, these tendencies are consistent with attributes of a schizoid personality that sharply separates self from others—or dissociates. This is not to suggest that any particular executive or group of executives can be diagnosed as schizoid. Not at all. Rather, ideal typing can be used to model the implications of schizoid tendencies in a business and society context, the point being to understand their relevance to corporate social performance. Even though a diagnosis of a schizoid personality would typically deal with individual motives (such as fear and insecurity), this analysis is concerned only with how schizoid *decision-making tendencies* comport with tenets of choice-as-utility and what these tendencies imply for business and society. This is in keeping with analysis that seeks to understand how schizoid processes relate to systems (see Girgus, 2014), in this case the system being executives, organizations, and society.<sup>7</sup> In the same way, Gregory Bateson (1979, pp. 9–11) asserts that true knowledge is based on understanding patterns or similar relations among parts of a whole and the “metapattern” that connects them. In the case at hand, the metapattern is dissociation. This approach is also consistent with Pat Werhane’s (1985) contention that organizations have methodological collectivism. More specifically, she holds that responsibility, like agency, is always both individual and collective. Similarly, this chapter investigates executive dissociation in terms of the patterns it creates for an organization and what they imply for its capacity to be socially responsible. On the grounds that dissociation has been the dominant mindset in the West since the Scientific Revolution, this analysis is both cultural and historical.

The schizoid tendencies under examination are drawn from research by R. D. Laing (1959, 1964, 1969) and others who have examined them in a systems context.<sup>8</sup> According to this research, the schizoid withdraws or separates itself from others, similar to the freestanding individualism of economic utility. Lacking real human interaction, the self becomes impoverished and cannot process information about others accurately. Hence, the schizoid persona cannot comprehend obligations to others,

which coincides with the failure of standard economics to factor duty to others into its theory of choice. The schizoid's approach to others is ultimately amoral, as is utility theory. Meaningful relationships with others are impossible, as the impoverished self lacks accurate information about them. The schizoid's state is one of perpetual isolation in which self-preservation is the focus, in lieu of authentic relationships with others. Indeed, others are either ignored or perceived to be objects to control or manipulate, regardless of the consequences. In this way, dissociation enforces a mechanical, dehumanizing philosophy (Laing, 1959), which recollects the defining characteristics of non-participating consciousness. Given in Chap. 1, these amount to artificial separations between self and others, facts and values, subjects and objects, means and ends, and humans from nature.

The impulse to control others can be addictive because the schizoid constantly needs to reassert its autonomy. The alternative is to find gratification in authentic relationships with others, which is not an option for a self that has radically separated from them. The propensity for addiction coincides with the hedonism or pain-pleasure principle in utility theory that places no limit on self-gratification. The cybernetic explanation of addictive tendencies goes to the schizoid state of isolation. In this state, information related to the whole system is not perceived accurately. The resulting *information deficiency* is not without consequences. As Morris Berman (1981, p. 273) explains, the schizoid will continue to pollute a lake because the resulting chain reaction of harm to the social and natural environments will not be contemplated. Indeed, the schizoid tendency is to escalate a commitment to narrow decision parameters, regardless of their consequences, which comports with the cybernetic definition of addiction as a compulsive pursuit of rewarding stimuli that ignores attendant outcomes (Bateson, 1985, p. 320).

The addiction the goes with radical separation is ironic. Although dissociation promotes the perception that everything outside oneself can be controlled, individuals who dissociate find it difficult to control their own addictive tendencies (Laing, 1959). Their illusion of control traps them in a lack of control. This situation is reminiscent of the cognitive biases ascribed to executives who mistakenly decide to merge with or acquire other firms. Given that many of these mergers and acquisitions fail by any

standard, it is possible that many of them are motivated by executive greed or empire building in lieu of rational choice (Dankbaar, Groenewegen, & Schenk, 1990, p. 16; Trautwein, 1990). If that is the case, then addictive behavior may explain some of their failures, especially the downsizings that often follow conglomeration (Swanson, 1992).

Although it is outside the scope of this analysis to examine how addictive tendencies can manifest in the economic system at large, it is worthwhile to remember that separation consciousness pertains to all realms of society. Of interest here is how this consciousness manifests in business organizations to affect society. Given this context, it is noteworthy that most teams charged with overseeing mergers and acquisitions are made up of legal and financial specialists and not human resource managers (Kemal & Saher, 2012). Some argue that this failure to incorporate the human factor is “just business.” However, given the high failure rate of mergers and acquisitions, one could also argue that the kind of consciousness that objectifies other humans and fails to consider them in decisions is not only dehumanizing, it is costly. Consider this report from the business sector:

When a merger or acquisition unexpectedly heads south, the costs are painfully clear. Morale drops. Synergies fail to materialize. Key people—those you planned to keep—start heading for the exits. But what’s really going on? Why is the system suddenly failing? A likely cause of the trouble is culture clash. In a Bain survey of executives who have managed through mergers, that was the No. 1 reason for a deal’s failure to achieve the promised value. In a culture clash, the companies’ fundamental ways of working are so different and so easily misinterpreted that people feel frustrated and anxious, leading to demoralization and defections. Productivity flags, and no one seems to know how to fix it. (Safford & Miles, 2013)

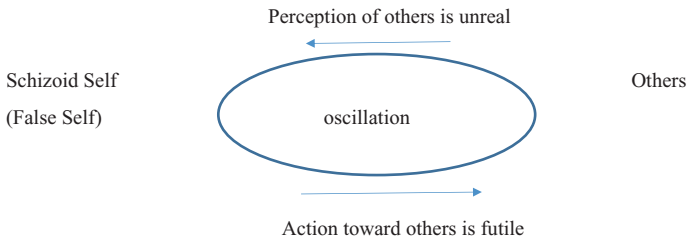
In terms of separation consciousness, the schizoid process creates alienation from the social and natural worlds that have been objectified (see Berman, 1981; Jacoby, 1975). Hence, R. D. Laing (1959) describes the schizoid self as a “false self.” I have summed up this mindset, as follows:

Lacking vital contact with others, the schizoid individual is simply out of touch with reality. Consequently [this self] cannot participate in a shared

world with others. Put differently, schizoid dynamics preclude the self's integration into the social environment. The result is an impoverished, dead false self that forms a buffer between the inner self and the world of others. (Swanson, 1996, p. 742)

Ironically, this decision orientation, summarized in Fig. 3.1, is in stark contrast to the social integration predicted by standard economics.

The schizoid mindset rules out being with a community of others in any authentic way. The *oscillation dynamic* depicted in Fig. 3.1 is that the perception of others is perpetually unreal and action is correspondingly futile. As Herbert Marcuse (1964, p. 9) put it, the authentic self is dead. This brings us again to the phenomenon of separation consciousness that divides self from others and, in the process, justifies exaggerated self-gratification. This consciousness is taken for granted whenever economic theory is implored to promote unexamined freedom for the business sector. Amorality is ever-present in this theory, because the other-regarding values that would render the social contract meaningful are left out of analysis. Standard economic theory takes this state of affairs to be normal if not desirable. Yet if perception has a low co-efficient of realness, à la Fig. 3.1., normal is not a useful construct. It implies that society is made up of individuals who cannot function together. The main implication for corporate social performance, discussed next, is that firms led by a dissociative mindset cannot function on behalf of society, which renders the social contract and shared value consciousness moot.

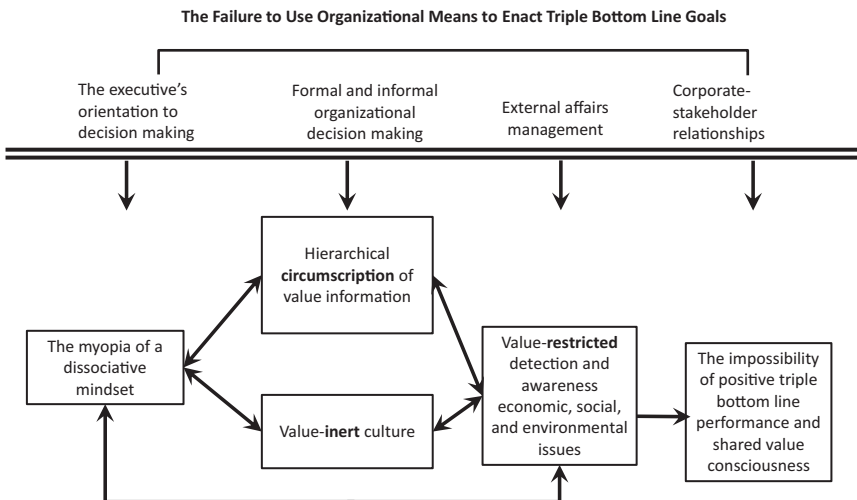


**Fig. 3.1** The schizoid decision orientation. Adapted from Laing (1959)

## Implications for Corporate Social Performance

The analysis that follows demonstrates that executive dissociation and organizational dissociation are part of the same metapattern. Figure 3.2 illustrates this metapattern by showing the logical implications of executive dissociation for corporate social performance vis-à-vis decision processes in the formal and informal organization. More specifically, these decision processes involve the (1) executive office, (2) formal organization, (3) informal organization, and (4) office of external affairs management.

In this ideal type model, the dissociative executive embodies a mindset that sharply separates self from others, subjects from objects, means from ends, facts from values, and humans from nature. As will be shown, the separation of facts and values is fatal to the concept of corporate social responsibility, because it means that the value-defined expectations of stakeholders will not be factored into decisions. Instead, stakeholders will be objectified as mere *means* to firm- or management-centric *ends*, which is consistent with the subject-object dualism that goes with separation consciousness. This way of thinking corresponds with the view that



**Fig. 3.2** Executive and organizational dissociation. Adapted with permission from Swanson (1999b)

business organizations cannot be *means* to the *ends* of social betterment, which is a rejection of the social contract. William Scott and David Hart (1979) describe how this way of thinking manifests as *unexamined determinism* or the tendency of the modern corporation to base decisions on incomplete information about the social environment. This information deficiency recalls the schizoid dynamic in Fig. 3.1 by which perception of others is unreal and action toward them is futile.

Of course, in reality, executives and organizations can be expected to exhibit degrees of *dissociation*, just as they can be expected to exhibit degrees of *association*. In other words, executives and their organizations can be placed on a continuum between dissociation and association. The latter instance will be covered in Chaps. 4 and 5. For now, the extreme case of dissociation is addressed as an ideal type.

### The Facilitating Roles of Organizational Hierarchy and Culture

The main proposition represented by Fig. 3.2 is that when executives exhibit dissociative decision making, then their organizations will inevitably lose touch with stakeholder expectations of triple bottom line responsibilities. These expectations are typically articulated in terms of *ethical values*. For instance, when stockholders assert their *right* to accountability, they are indicating that they *value* it as a *fair* expectation. When consumers assert their *right* to safe products and *just* compensation when defective products cause harm, they are communicating that they *value* safety and *justice*. Likewise, when members of a local community protest the contamination of their water by corporate actions, they are expressing their belief in a *right* to clean water and, in some cases, coupling that with a desire for environmental *justice*. In other words, ideas about ethical principles (e.g., rights and justice) are equivalent to value preferences that relate to one or more facets of the triple bottom line. The model developed in Chap. 2 (Fig. 2.1) illustrates that when such preferences are communicated to executives and other employees, then internal decision processes can become infused with value information relevant to sustainable outcomes (e.g., positive triple bottom line

impacts). This model also shows that although employees look to the executive for directing this pursuit, their ability to engage in it is affected by their ethical values as well. Since personally held values and ethical principles are intimately related in driving behavior in corporate culture (Carroll & Buchholtz, 2012, p. 213; Schein, 2010) and defining stakeholder expectations, the term *values* will be used from here on to capture the affinity between ethics and values that was introduced in Chap. 2.

The corporate social performance model in Chap. 2 highlights the role of organizational culture because it is part of the CSR3 research that informs the model. Figure 3.2 distinguishes the hierarchical aspects from the informal aspects of organizational culture to underscore what happens to value information along the formal chain of command. Essentially, this figure depicts that executive dissociation and organizational dissociation go hand in hand, given the mediating effects of two closely related aspects of organizational life—the formal chain-of-command structure and the informal culture. The fundamental logic conveyed in Fig. 3.2 is that the executive who dissociates will use formal and informal means (either consciously or unconsciously) to direct other employees to follow suit. Since dissociation is a radical separation of self from others, the value expectations of external stakeholders will be ignored or misconstrued. This follows from the schizoid process, shown in Fig. 3.1, that results in an unreal perception of others and futile action toward them. Figure 3.2 illustrates how this dynamic plays out in the formal (hierarchical) and informal (cultural) organization to affect corporate social performance. In terms of the methodology suggested by Gregory Bateson (1979), given previously, the analysis proceeds from mapping the process of corporate social responsiveness onto the tautology of schizoid dissociation.

Figure 3.2 highlights the *value myopia* that goes along with the mindset of executive dissociation. The executive (as subject) perceives stakeholders (including employees) to be mere objects or means to self- or firm-centric ends. In the process, the fact/value dualism becomes the operative norm, meaning that stakeholder value preferences will be ignored or misconstrued in decision making. In terms of the formal organization, the executive will use his or her official authority to set the same narrow range for employee decision making along the chain of command.



In practical terms, this amounts to discouraging employees from including information about stakeholder value preferences in reports, memos, agendas, and other official feedback mechanisms. Moreover, annual performance reviews will not be structured to reward employees for detecting stakeholder value preferences and incorporating them in their decisions. Promotions will go to those who imitate or go along with value myopia, and employees will be hired and retained for it. Eventually, the range of discretion for subordinate decision making will align with the narrow premises of the executive (see Blackburn, 1988; Jackall, 1988; Simon, 1976), which Fig. 3.2 portrays as a *hierarchical circumscription of value information*. A dissociative executive cannot create a different dynamic. Dissociation cannot grasp information that is bracketed from perception.

Dissociation will be reinforced in the informal organization vis-a-vis cultural mechanisms. For instance, employees who view the executive as a role model will imitate his or her dissociation. This imitation is self-fulfilling to the extent that employees are hired for dissociation in the first place. The myopic executive can be expected to mentor employees who adopt dissociation and shun those who do not, the latter being a particularly powerful way to reinforce it. This executive-type will also encourage stories, legends, and myths that celebrate myopia, such as rhetoric that favors a narrow focus on profits and the freedom for employees to ignore other concerns, a meme consistent with the celebration of freedom drawn from standard economic theory. These reinforcements of myopia will culminate in the *value-inert culture* illustrated in Fig. 3.2. Edgar Schein (2010) explains how the executive leader can shape such culture:

To understand a group's culture, you must attempt to get at its shared basic assumptions and understand the learning process by which such basic assumptions evolve. Leadership is originally the source of the beliefs and values that get a group moving in dealing with its internal and external programs. When a set of shared basic assumptions is formed by this process, it defines the character and identity of the group and can function as a cognitive defense mechanism both for the individual members and for the group as a whole. (pp. 32–33)

In the extreme case represented in Fig. 3.2, the basic assumption of the executive is myopic dissociation, which ends up defining the formal and informal organization as well.

### **The Impossibility of Learning to Enact Triple Bottom Line Goals**

According to Karl Weick's (1969) theory of organization, *selection* involves the filtering of data by decision makers so that the equivocality or lack of clarity regarding information is reduced. *Retention* determines what information decision makers can recall for further use. Finally, *enactment* refers to the processing of information by organizational participants that ultimately creates the environment to which their organization adapts. Correspondingly, values can be *selected* and *retained* in decision processes to *enact* the environmental imperatives to which an organization responds. Applying Weick's perspective to Fig. 3.2, the variety of value information in the formal and informal organization will be reduced as employees *select*, *retain*, and *enact* the myopia of the dissociative executive. This presents a serious predicament. If an organization is to function effectively, it must adapt to its host environment and process the variety of information represented by it (Ashby, 1962). Otherwise, it will not be able to move to more complex forms of differentiation and integration with respect to that environment (Buckley, 1967; Miller, 1978). A hierarchical circumscription of value information and a value-inert culture rule out such adaptation and integration. The social contract is moot when myopia gets replicated among employees who ignore stakeholder value expectations. This kind of organization is of no use to itself or society.

When boundary-spanning employees, such as external affairs specialists (and any other employees who interact with stakeholders) align with such shortsightedness, they will fail to communicate important information about the social and natural environment to senior managers and others in the organization. They may also omit information that can affect financial performance, such as dissatisfaction among investor activists and other stakeholders that can undermine a firm's reputation and

efforts to raise capital. This *value-restricted detection* of economic, social, and environmental issues undermines the very task that these specialists are supposed to carry out. The two-way arrows in Fig. 3.2 show that this dynamic is self-perpetuating: external affairs specialists (and other employees) will not convey information regarding stakeholder value expectations to the executive who signaled disinterest in the first place. Executive and organizational dissociation inevitably align as executive value myopia gets enacted as a chronic tendency for the organization to neglect stakeholder issues. Eventually this unresponsive organization will lose touch with its host environment altogether. Illustrated in Fig. 3.2, positive triple bottom line impacts are not possible in this scenario (see Frederick, 1995, 2006; see also Porter & Kramer, 2006). Nor is shared value consciousness.

An organization trapped in this dynamic will not be able to get out of it. Doing so would require basic learning, which depends on a system's incorporation of information that deviates from operating norms. That is, it would require the ability to respond to feedback different from previously processed information (Weiner, 1961). Yet, as suggested by Fig. 3.1, the dissociative organization cannot recognize accurate information about its stakeholder environment, much less process it. Nor can it confront this failure. To go beyond basic learning and to "learn to learn" requires advanced learning. It requires that organizational participants be able to question the relevance of operating norms (Argyris & Schon, 1974; see also Bateson, 1972; Pondy & Mitroff, 1979). Yet it is difficult for employees to question the operating norm of myopia when the top executive is the source of it (see Schein, 2010). It would mean bucking the prerogatives of hierarchical power and the chain of command that enforces it.

Absent basic and advanced learning, the dissociative organization becomes moribund. Trapped in schizoid patterns, it cannot self-correct. The rule of requisite variety in systems theory is that an organization must be as complex as its environment to survive and thrive (Ashby, 1962). It is especially important that complexity be detected on the boundary between an organization and its environment (Morgan, 1997, p. 112), which underscores the fallacy of hamstringing external affairs employees with myopia. The resulting organization cannot anticipate social

problems and work toward their solutions, which Peter Drucker (1968) asserts is an important goal of management. This failure starts at the top.

### **The Inevitability of Employee Alienation and Some Consequences**

In this scenario, alienation will develop among employees who do not fully embrace dissociation, notwithstanding hiring practices geared to select for it and performance policies designed to reward it. Many of these employees will find it necessary to suppress their other-regarding values while adopting amoral beliefs that they do not hold. Since myopic executives limit the values that can be considered in decisions, employees will be encouraged to be silent about theirs (see Beenen & Pinto, 2009; Greenberg & Colquitt, 2005; Morrison & Milliken, 2000) or morally mute (Bird & Waters, 1989). The resulting cognitive dissonance will likely be internalized as anxiety, which will cause employees to perceive the work environment as unreal (see Jackall, 1988), just as the schizoid perceives the world to be (see Fig. 3.1). As a result, employees can become alienated from work itself (Seeman, 1975), especially since the dissociative executive objectifies them.

Since values are deeply felt (Holbrook, 1986), suppressing them can compromise the psychological integrity of employees (see Homans, 1989) and impose emotional burdens on them (Frost & Robinson, 1999; Swanson & Paul, 2002–2003). The weight of these burden can backfire on organizations. Emotions are a motivational force that leaders can channel into constructive behaviors, including those that facilitate innovation, teamwork, and pride in one's profession. To suppress such motivation is to invite organizational failure (Herr, 2009; Pentilla, 2003). Such failure is highly likely when the work environment is perceived as unreal both by employees who are actually dissociative and those who simply adopt this mindset. The point is that whether employees are dissociative or not, they will become alienated from one another and from their work when dissociation is the defining feature of the organization. Since the extreme case of a dissociative organization is a pure construct that can be used for purposes of comparison, it can be contrasted to the

scientific evidence that humans have an innate drive to bond with one another and form mutually caring relationships (Lawrence & Nohria, 2002, p. 76; see also Herr, 2009). When this drive is suppressed by dissociation, alienation is inevitable.

Alienation is further reinforced because dissociation reduces the values that can be openly expressed and acted on. Therefore, it undermines a sense of shared purpose among employees, which decreases their cohesion (Schwartz, 1991). Since employee cohesion is necessary for accomplishing work (Seeman, 1975; Wickens, 1995), a lack of it jeopardizes organizational performance (Greene, 1989). Consider a Gallup study of 400 companies that concludes that the ability to form best friendships at work is among the twelve most dependable predictors of workplace productivity (Vecchio, 2006, p. 219). Since organizations increasingly rely on team projects, a decrease in employee cohesion represents a high cost of dissociation.

### **Neglectful or Harmful Corporate Social Performance**

The organization's ability to learn about stakeholder concerns is thwarted when employees are silent, alienated, and unable to work together. Such organization is incapable of enacting positive triple bottom line goals (see Johnson & Indvik, 1996). Moreover, the myopia embodied in it can cause it to self-destruct. Take the case of Enron, for instance. As widely reported, the unmitigated greed acted out by top executives went unchecked mostly because employees were pressured to ignore it or were rewarded for going along with it (Beenen & Pinto, 2009). The harm that was inflicted on thousands of stakeholders was a summary breach of the social contract.<sup>9</sup> In terms of the top bracket in Fig. 3.2, this breach involved the uncoupling of ends and means whereby dissociative executives did not use organizational means to pursue positive social ends. This dynamic parallels the schizoid proclivity to ignore others or use them only as a means for self-gratification. Ideal-type modelling demonstrates that the dissociative organization will function similarly. At best it will neglect the social environment. At worst, it will harm that environment. In the process, society's resources are wasted or misdirected, as the case of Enron demonstrates.

In the final analysis, dissociation is a cul-de-sac where corporate social responsibility meets a dead end. Constructive relationships between firms and their stakeholders are precluded by it while alienation fills the vacuum created by contrived separation. Elsewhere, I have described the system's logic that informs this conclusion:

The biological system coexists with the social dimension (i.e., human considerations of psyches, assumptions, and derived cultures). Causality is reciprocal since a communication system links all parts of the system. The biological system affects and is affected by the social system. In turn, both are affected by being part of an open system. In this system, the executive mind can make decisions that affect the organizational body and that body's relationship to the external environment. Given the position of overt power that executives hold in relation to other actors in organizations, it would seem pertinent to explore the role of these executives in creating [organizational patterns]. (Swanson, 1992, p. 9)

### **The Impossibility of Shared Value Consciousness**

The fact-value dualism that goes along with separation consciousness precludes corporate-stakeholder relationships based on shared value consciousness. Dissociative organizations and their stakeholders cannot share an awareness of the values at stake in responsible corporate social performance. Additionally, the anxiety among employees created by dissociation will cause mental health impacts that get externalized to society (see Ouchi, 1980; see also Danna & Griffin, 1999; Kanter, 1977; Miceli & Near, 1992). That society will become alienated from such organizations is consistent with persistently low public confidence in the business sector (see Jones, 2015). This lack of confidence is not surprising. Surely many in society are aware that organizational myopia serves narrow vested interests and not broader community values. The social legitimacy of business is ultimately at stake. However, if stakeholders do not grasp the nature of the social contract, if they choose instead to believe in a "free to choose" ideology for business, then they will not pressure corporations to adopt socially responsible practices. As a result, they will be less free from harm and less free to enjoy social wellbeing. The irony of

freedom for business is that its stakeholders will be “free” to be on the receiving end of amoral or immoral behavior that is not self-correcting, as recurring Enron-like scandals seem to demonstrate.

In this way, dissociation keeps a constructive partnership between business and society from taking hold in theory and practice. The essential principles of corporate social responsibility are breached. These principles, developed in Chap. 2, are based on decades of social contract reasoning in the business and society field. In terms of sustainable corporate social performance, they are as follows.

The *institutional principle of corporate social responsibility* is that business as a system has legitimacy if it functions as a tool for delivering positive triple bottom line impacts.

The *organizational principle of corporate social responsibility* is that individual business firms should deliver positive triple bottom line impacts.

The *microprinciple of corporate social responsibility* is that executives should forgo power seeking in favor of directing a firm to deliver positive triple bottom line impacts.

Constructive shared consciousness between business and society begins with a mutual appreciation of these value principles. Otherwise, exaggerated freedom and narrow self-interest merely serve as an excuse for business to ignore or harm society. Peter Dahler-Larsen and I (Swanson & Dahler-Larsen, 2008) spoke to this conclusion when we asserted that:

[E]conomic utility functions as a distinct psychology of consciousness that catapults egoistic self-interest into an ideology that rationalizes economic growth at the expense of widespread ecological problems, declining morality, and a deteriorating sense of society. In the process, self-interest becomes a working metaphor for abdicating responsibility to community. (p. 195)

In the Introduction to *Mind and Nature*, Gregory Bateson (1979, p. 19) wrote that the immediate aim of his book was to construct a picture of how mental aspects relate to the world of things. Similarly, this chapter has constructed a picture of how the mental aspect of dissociation relates to the “world” of business and society. The way in which this picture bears resemblance to the iron cage metaphor for bureaucracy is summarized next.

## The Iron Cage of Dissociation

That most employees in dissociative organizations will go silently along with myopia recalls Max Weber's (1947) famous description of bureaucracy as an iron cage that traps individuals in systems of formalized authority in which they lose their autonomy and freedom. In terms of Fig. 3.2, employees can be held hostage to schizoid dynamics, a circumstance resistant to change when executives with formal power are driving it (Swanson, 1992). Likewise, Guy Adams and Danny Balfour (1998) assert that the decisions of top administrators can be taken for granted at the expense of collective outcomes. In their words, their legitimated authority is

...buttressed by the focus on the utility-maximizing individual as the locus of ethical decision making. In short, the ethical problem is construed as one of individual conformance to legitimate authority as a function of self-interest. In effect, the ethical purview validated by technical rationality relieves, and even prohibits, individual administrators from making substantive value judgements. (p. 169)

Put differently, the problem is equating self-interest with authorized amoral decision making. Although Adams and Balfour are addressing decision making in public administration, they hold that the amoral mindset is relevant to all contemporary organizations, and they point to the Holocaust as a prime example of the danger it poses to society (see also Brecht, 1944). The danger stems from the separation of instrumental reasoning from substantive rationality that is characteristic of dissociating means from ends, respectively. In the first case, instrumental reasoning, similar to technical rationality, can be used to pursue narrow goals that are not defined by normative standards. In contrast, substantive rationality involves the ability to understand the purposeful nature of the whole system in which a particular task is embedded (Mannheim, 1940). The separation of means from ends that distinguishes dissociation rules out such comprehension. To illustrate, a person can use a hammer to destroy something or to build something. To choose between these options depends on the purpose of the project. This requires a mindset capable of



discriminating between instrumental reasoning that is amoral or immoral on the one hand, and instrumental reasoning that can be morally defended on substantive grounds on the other. If the latter mindset does not dominate, society may accept or overlook the blatant violence associated with modern methods of mass administration (see Jacoby, 1975). This recalls the schizoid approach that does not recognize that others have innate worth but views them as mere objects to control or manipulate. Or, as Morris Berman (1981, p. 16) puts it, dissociation provides a rationale for dehumanizing and manipulating others instead of recognizing and respecting their innate dignity.

Until the modern era, reason was conceived of as a process that saw instrumental techniques as serving value-defined substantive goals (Adam & Balfour, 1998, p. 38). However, given its strong dissociative tendencies, the contemporary mindset easily prioritizes instrumental reasoning that is amoral (devoid of ethical values) or immoral (intentionally violates ethical values).<sup>10</sup> This way of thinking justifies business as an amoral force in society that holds values-based understandings of material conditions at bay (West, 1993), especially when it is co-mingled with the free to choose ideology of standard economics. This co-mingling is ironic, given that individual freedom is greatly suppressed in bureaucracy. Moreover, these administrative systems are prone to anti-social and anti-environmental behavior (see Jackall, 1988; Shapiro & Carr, 1991), given their propensity to separate instrumental means from normative ends and their objectification of humans and nature. Such amorality can be especially destructive when carried out by administrators that justify any means to pursue selected ends. By extension, corporate managers can rationalize any means necessary for the pursuit of profit, greed, or empire building and then invoke freedom from the consequences of their actions, even if they have carried out dehumanizing practices (Arendt, 1964; Ashforth, 1994) or projects detrimental to their firm's best interests (Englander & Kaufman, 2004). This rationalized freedom not only costs society, but the irony is rich. Dissociation is the antithesis of the authentic freedom for society to flourish.

To summarize, dissociation is dehumanizing and, in some cases, violently so. It is amoral at best and immoral at worst. Yet, it may have run its course (see Swanson & Dahler-Larson, 2008). This harkens to Karl

Popper's (1945) assertion that the internal contradictions of absolutist ideologies morph into oppressively unproductive views of society. Surely this is the case for economic orthodoxy that justifies business's freedom *from* responsibility and, in doing so, holds others in society captive to corporate neglect or harm. Along these lines, Sumantra Ghoshal (2005, p. 86) observes that nothing is as dangerous as bad theory. Corporate leadership based on tenets of economic choice is bad theory and dangerous practice. The case must be made for an associative mindset capable of unity consciousness at the helm of corporate life.

## The Case for an Associative Mindset

Introduced in Chap. 1, this book gives a 3S approach to CSR leadership, with values being the common denominator. This threefold approach examines the roles of *society*, *shared consciousness*, and *science* as they pertain to CSR leadership. So far, the emphasis has been on society and shared consciousness. In the first instance, the social contract between business and society was described in terms of triple bottom line values. In the second instance, dissociative leadership ruled out the possibility of shared value consciousness between business and society. In operational terms, the dissociative executive is unable to discover the values that can facilitate triple bottom line outcomes and embed them in organizational culture. A vastly different mindset is required for CSR leadership. To paraphrase a quote attributed to [Albert Einstein](#), the same mindset that caused a problem cannot be part of its solution. The next chapter proposes that an associative mindset can be part of the solution. To preview, this mindset perceives continuity between self and others, subjects and objects, facts and values, means and ends, and humans and nature.

## Notes

1. The failure of business schools to provide moral education has been addressed by many scholars and practitioners. Students themselves have reported concerns. A study by the Aspen Institute Center for Business

Education (AICBE, 2008) found that most students are not confident that business education is preparing them to deal with value conflicts in the workplace. In fact, their confidence in that preparation falls consistently throughout their business coursework. This finding comports with a survey of managers in an executive MBA program by Marc Orlitzky, Diane L. Swanson, and Laura K. Quartermaine (2006, p. 161). This study suggests that narrow self-interest increases with the number of strategy, finance, and economics courses taken.

2. This critique is especially informed by five of my earlier publications (see Swanson, 1992, 1996, 1999a, 1999b, 2014).
3. The analysis in this chapter is not based on a simple causal relationship between the Commercial Revolution and the Scientific Revolution. In *The Reenchantment of the World*, Morris Berman (1981, p. 49) points out that the collapse of a feudal economy and the alterations in social relations that followed provided the context for the Scientific Revolution in Western Europe (see also O'Connor, 2004). Nevertheless, he clarifies that:

It is not my intension to argue that capitalism “caused” modern science. The relationship between consciousness and society has always been problematic because all social activities are permeated by ideas and attitudes and there is no way to analyze society in a strictly functional way. We are confronted, then, with a structural totality, or historical gestalt, and my point in this chapter will be that science and capitalism form such a unit. Science acquired its factual and explanatory power only within a context that was “congruent” to those facts and explanations. (p. 50)

Similarly, the dissociation examined in this chapter is part of a gestalt or worldview that was formed in the context of the Commercial and Scientific Revolutions.

4. Neoclassical economists developed a theory of consumption based on the assumption that utility is measurable. Modern economists have rejected this simple quantification in favor of ranking preferences. Either way, orthodox economists have not explicitly rejected the hedonism or pleasure gratification principle that defines utility. Nor have they dealt with how this view of choice contaminates business and management ideology (see Swanson & Dahler-Larsen, 2008).

5. Actually, those who invoke Milton Friedman's (1970) pronouncement that the only responsibility of business is to make a profit do not investigate his qualification that business should follow the "rules of the game." These rules are simply taken for granted. However, a sound theory of corporate responsibility would analyze them for the values at stake for society. Given the fact-value dualism in standard economics, an understanding of the rules of the game that support corporate responsibility will not come from economists in the free-to-choose camp.
6. Although corporate social performance (CSP) models are widely referenced, they are not theories. As such, Jean-Pascal Gond and Andrew Crane (2010) have rejected corporate social performance as a unifying paradigm, and rightly so (see also Rowley & Berman, 2000). Strictly speaking, the CSP models summarized in Chap. 2 are taxonomies or classifications that show interrelationships among diverse topics and provide unifying themes and agendas for future research (see Jones, 1983). Admittedly, there is some disagreement among sociologists on the role of taxonomies. However, this debate stems from the convention in sociology to use classifications to group and type organizations, the disagreement being about whether to do so according to theoretical or empirical research (Rich, 1992). By spanning the institutional, organizational, and individual levels, and incorporating conceptual and empirical elements in the process, Wood's (1991) CSP model in Chap. 2 provides a context for both methods and, therefore, does not take liberties with classification methodology. At any rate, as Kenneth Bailey (1994) observes, there is no consensus among sociologists on the nature and use of taxonomies. The position taken here is that in a field as wide-ranging as business and society, taxonomies that are conceptually derived and empirically informed can be quite useful. In this chapter, the classifications from Chap. 2 that culminate in Fig. 2.1 are used as a bridge to theory development based on ideal typing.
7. Previously, I modelled the executive's failure to recognize the importance of values in decision making as an ideal type, which I referred to as *normative myopia* (see Swanson, 1999b, 2008, 2014). My conclusion was that this type of executive decision making leads organizations to systematically neglect social concerns. In contrast to my earlier work, this chapter pushes the analysis further to deal with schizoid patterns of separation consciousness in a business and society context. Given this frame of reference, the separation of self from others and facts from values are the most troubling aspects of separation consciousness. They justify amoral or even immoral management, which undermines the very idea of corporate social responsibility.

8. Gregory Bateson (1972, 1985), Morris Berman (1981), and Sam Girgus (2014) have also examined schizoid patterns in a systems context. My examination of these patterns in a business and society context is informed by two of my earlier publications (Swanson, 1992, 1996).
9. The consequences of Enron's demise include that 4500 employees lost their jobs and their pension funds. Investors lost some 60 billion dollars within a few day and for many it meant losing their old-age security. Indeed, losses on the financial market amounted to the worst stock value loss in peaceful times (A Global Ethics Now! n. d.).
10. For a distinction between amoral and immoral management, see Archie Carroll and Ann Buchholtz's book *Business & Society: Ethics, Sustainability, and Stakeholder Management* (2015, p. 199).

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# 4

## Executive Association Befitting the Social Contract

This chapter proposes that an associative mindset is required for the executive who strives to carry out the terms of the social contract between business and society. According to the analysis in Chap. 2, these terms are that business should provide society with positive triple bottom line impacts. This is the essence of corporate social responsibility (CSR). Whereas Chap. 3 showed that an executive who leads with a dissociative mindset is incapable of directing an organization to carry out these terms, this chapter describes the mindset of an executive who is. More specifically, it will identify some realizations necessary for an associative mindset, which sets the stage for the model of CSR discovery leadership in Chap. 5. These realizations are informed to a large extent by insights gleaned from the classifications of business and society research covered in Chap. 2.

## Insights from Previously Classified Business and Society Research

To set the stage for these insights, it is time to revisit the two propositions that inform this book's approach to CSR leadership. These were introduced in Chap. 1, with *constructive values* referring to those values that are relevant to a firm's positive triple bottom line performance:

**Proposition #1** : *A dissociative mindset at the apex of corporate life enforces separation consciousness between business and society that prevents shared understandings of the constructive values at stake for both.*

**Proposition #2** : *An associative mindset at the apex of corporate life has the potential to create unity consciousness between business and society based on shared understandings of the constructive values at stake in the relationship.*

To review, the separation consciousness referred to in the first proposition is the proclivity for the modern mind to disconnect subjects from objects, self from others, facts from values, means from ends, and humans from nature. A model (Fig. 3.2) that substantiates the first proposition was developed in Chap. 3. Conversely, the unity consciousness referred to in the second proposition is the ability to perceive continuity between and among subjects and objects, self and others, facts and values, means and ends, and humans and nature. A case for this second proposition will be made in this chapter and the next, starting with identifying some insights from which fundamental realizations necessary for an associative mindset can be derived.

The business and society field is replete with such insights because it has long used social contract reasoning to address what Donna Wood (1991) asserts is the field's most pressing question: how can corporations contribute to the good society? The very asking of this question assumes continuity between business and society, which suggests the potential for unity consciousness. For several decades, the business and society field has distinguished itself from other management fields in this way by focusing on finding and developing a constructive role for business in society (Buchholz, 1989; Frederick, 1986; Swanson, 1999). Given this

mission, its research provides important insights into understanding the kind of mindset needed to lead corporate responsibility. This chapter derives such insights by taking an aerial view of the field's corporate social responsibility (CSR) research, given in Chap. 2 as CSR1 (1950s–1960s), CSR2 (1960s–1970s), CSR3 (1980s–1990s), and CSR4 (1990s–2000s) according to William C. Frederick's (1987, 2008) longitudinal categorizations. This view also allows insights to be gleaned from the consolidation of this research in the integrative model of corporate social performance in Chap. 2 (Fig. 2.1).<sup>1</sup> These insights are summarized next, after which the realizations necessary for an associative mindset suggested by them are given in more detail.

The most obvious insight from the field's history of research is that it long ago rejected the separation of business from society conveyed by the logic of standard economics, especially during its CSR2 phase when scholars and policy makers put forth an agenda for business to address social and environmental problems. This agenda anticipated the triple bottom line framework and, by using social contract reasoning, directly tasked the corporation to work for social betterment. Since social betterment was understood to include protecting and sustaining the natural environment, the rift between humans and nature that marks separation consciousness was ameliorated. In the process, the field also rejected the justification of amorality inherent in standard economics. Indeed, the business and society field was the first among management fields to indicate a distinct discomfort with amoral separation, beginning with its focus on the importance of business stewardship and charity during CSR1. This rejection of amoral separation helps explain why R. E. Freeman's (1984) stakeholder view of the firm rose to prominence during CSR3, give the ethics research featured in that phase.

In portraying the groups that are affected by and can affect a firm's operations, the stakeholder model brought business and society closer together. It transformed the social contract from a general statement on corporate social responsibility to an accounting of the groups who are part of that contract. Specificity was further enhanced by the field's ethicists who used the stakeholder model to elaborate on the ethics principles at stake in the relationships between firms and their stakeholders. The rejection of amoral separation during CSR1 and CSR2 was buttressed

during CSR3 when ethicists elaborated on rights and justice for specific stakeholders and correlative duties for managers and the moral reasoning necessary to grasp them. There was no place for amorality in this interpretation of the stakeholder model because managerial duties were construed as requiring respect for the moral personhood of stakeholders. This development directly challenged the dissociation of self (managers) from others (stakeholders). It also undermined the subject/object distinction in separation consciousness that renders others to be mere objects that can be neglected, manipulated, or harmed. Said differently, the objectification of stakeholders by managers was irrevocably refuted by the field's scholars.

Separation consciousness was further contested by CSR3 research on corporate culture that found that the facts of corporate life cannot be understood as distinct from the values that define an organization's culture and stakeholder expectations of it. Besides ameliorating the fact/value dualism, CSR3 research rejected the rigid distinction between ends and means that also distinguishes separation consciousness. So did the field's corporate social performance models that, as consolidations of extant CSR research topics, depicted corporate responsiveness as institutionalized *means* (programs and policies) for carrying out the *end* goal of responsibility. In this way, the field conveyed that corporate means cannot be evaluated apart from the results of corporate actions. CSR3 elaborated on this view with research that showed that corporate responsiveness is a product of corporate culture and the values that shape it, which underscored that the fact/value dualism could not define the field. Importantly, this third phase of research pointed to the role of the executive in shaping corporate culture, which took up the importance of responsible executive leadership that was introduced more generically during CSR1. The current phase of CSR4 research, also described in Chap. 2, raises the stakes for responsible leadership by highlighting the global impacts of multinational corporations.

In further contravention of separation consciousness, CSR2 exhibited a systems thinking that brought business and society closer together. This was evident in the interpenetrating systems model developed by Lee Preston and James Post (1975) that held that a firm is responsible both



for economic outcomes and the consequential effects that can be traced to them. This view, the basis for the organizational principle of responsibility in Donna Wood's (1991) consolidation of business and society topics in Chap. 2, discarded the notion of a strict boundary between business and society. It also discarded the mechanistic thinking inherent in standard economics that grants unseen forces the ability to bring about the social good as a mathematical aggregation of satisfaction (utility), instead of viewing humans as having the agency to make conscious choices and learn from the experience. The integration of these topics in Chap. 2 (Fig. 2.1) illustrates that such learning is possible if a firm's boundary spanners, especially external affairs employees, provide feedback about the consequential effects of a firm's impacts to the executive and all other employees. According to this depiction, the incorporation of this feedback in decisions contributes to the potential for ongoing sustainable performance.

Just as these classifications of business and society topics provide insights into the nature of an associative mindset, they also shed light on an area for which the field's logic is not completely coherent. This area is not inconsequential. It is the marginalization of positive duty reflected in the original principles of corporate social responsibility in Donna Wood's (1991) highly influential classification of business and society topics, a point made in Chap. 2. There is no doubt that Wood's classification represented a significant advancement for the field. Indeed, as a classification of topics, it served its purpose well by demonstrating the field's theoretical strengths and weaknesses (Carroll, 2000; Mitnick, 1993; Swanson, 1995, 1999). Most notably, it demonstrates that even though the field rejected amoral separation from its beginning, it has not fully accommodated a role for positive duty as the willingness to provide positive benefits to others. Instead, the field historically has emphasized negative duty or the obligation to refrain from doing harm to others and the controls that would enforce that restraint. To recap, the original institutional principle did so by threatening that the business sector will lose legitimacy if it does not use its power responsibly. Likewise, the original organizational principle implied that public policy and public pressure will force compliance if business does

not abstain from causing negative externalities. The derivative individual principle echoed this emphasis on negative duty by accentuating that managers must necessarily follow the law and respond to ethical expectations, both of which are forms of social control aimed at enforcing negative duty through authority or persuasion, respectively (Jones, 1983; Lindblom, 1977; Swanson, 1995, 2014).

As can be seen, the motivation for negative duty is to avoid external control instead of imbibing a willingness to help others obtain positive benefits. This marginalizes a role for positive duty. The fact that corporations can influence their own social control through lobbying and other forms of political advocacy can lower the bar for negative duty and render the marginalization of positive duty even more pronounced. Put differently, if corporations focus on shaping laws, public policy, and public expectations to their liking, then their potential to contribute positively to social betterment may be attenuated. A theory of corporate social responsibility cannot fall into this trap. One way to avoid this quandary is to emphasize that positive duty (as a willingness to provide society with benefits) is the hallmark of corporate responsibility. Negative duty (restraint to action) is necessary if positive duty fails. In this way, positive duty is not marginalized.

To emphasize a disclaimer given in Chap. 2, the marginalization of positive is not the doing of any one scholar or group of scholars but rather artefactual of relationships among business and society topics. This artifact is essentially a residual of separation consciousness. To fully embrace morality, the field must transcend this deficiency. The integrative corporate social performance model (Fig. 2.1) was designed as a blueprint for doing so. By showing that organizational decision processes can be infused with personally-held values that support positive duty and the moral motivation for it, the integrative model features a central role for positive duty, especially in executive decisions aimed at affirmative triple bottom line impacts. Chapter 3 demonstrated the opposite case: executive decisions that are value myopic and lacking positive duty breach the social contract.

The realizations necessary for an executive associative mindset befitting the social contract, drawn largely from business and society research, are given next.

# Realizations Necessary for an Executive Associative Mindset

## Revisiting Ideal Type Methodology

Identifying the realizations necessary for an executive associate mindset is the first step in using the ideal type method to model necessary conditions for corporate social responsibility to create shared value consciousness ([Proposition #2](#)). This new model, to be illustrated in [Chap. 5](#), will be a counterpoint to the model of the dissociative organization given in [Chap. 3](#) ([Fig. 3.2](#)), also constructed using ideal typing. The main implication of the latter is that executive dissociation will inevitably lead an organization to neglect or harm society, a clear violation of the social contract. In the case of dissociation, shared consciousness between business and society about the constructive values relevant to triple bottom line performance is not possible ([Proposition #1](#)). Put differently, and for emphasis:

*As an ideal type, executive dissociation is on one end of a spectrum at a point that represents no potential for a corporation to (1) fulfill the terms of the social contract and (2) create and sustain shared value consciousness.*

Given the stakes for business and society, a new mental mindset is needed that promotes normative or value-informed reasoning untethered from the narrow parameters of habitual, unreflective thought patterns (see [Giacalone & Thompson, 2006](#); [Hartman & Werhane, 2013](#), p. 41). Or, as [Sandra Waddock \(2016\)](#) puts it, a mindset shift is required. This section describes what reasoning untethered from separation consciousness requires. Put differently, and for emphasis:

*As an ideal type, executive association is on one end of a spectrum at a point that represents the most potential for a corporation to (1) fulfill the terms of the social contract and, in doing so, (2) create and sustain shared value consciousness.*

[Chapter 5](#) will illustrate the type of organization that can create and sustain such shared value consciousness. It will do so by using the ideal type method to identify the logical implications of executive association for organizations

and society. That said, the caveat given earlier still holds: in reality, executives and organizations can be expected to exhibit varying degrees of potential to fulfill the social contract and create and sustain shared value consciousness. Moreover, another caveat is now in order: although two extreme ends of a spectrum are represented by [Propositions #1](#) and [#2](#), one end is predetermined ([Proposition #1](#)) whereas the other is not ([Proposition #2](#)). Although this caveat might seem paradoxical, it will become evident that an associative mindset realizes the necessity of continually incorporating new information in decisions. This requires a perpetual orientation of *discovery*. Given this orientation, the potential for corporate social responsibility and shared value consciousness is not strictly predetermined. In fact, it is open-ended, a matter that will be taken up again in [Chap. 6](#). First, however, some realizations necessary for an executive associative mindset are identified.

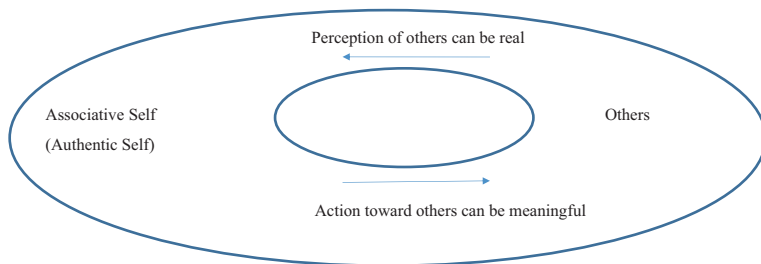
## Realization #1

The amendment of separation consciousness must begin with the relationship between self and others, since this is the fundamental building block for society (Mead, [1934](#)). In his massive work, *Economy and Society*, Max Weber ([1968](#)) explains that social action occurs because of the meaning assigned to others. That said, the first realization necessary for an associative mindset is:

*The relationship between self and others is symbiotic.*

In *Coming to our Senses*, Morris Berman's ([1989](#)) describes the contrived schism between self and other as standing in the way of a unity consciousness that is needed to confront the social and ecological problems of our time. In his own words:

There is only one hope for our situation, and that is that the gesture of balance once again become a way of life; that Self and Other be seen as inter-related aspects of something larger, rather than as opponents. It is a long shot because this is a still small voice that seems "romantic," or even weak, whereas what is paraded as strength is really a wall of tension, built on a Self/Other opposition. (p. 317)



**Fig. 4.1** The associative decision orientation

Berman goes on to assert that a unique opportunity, probably unprecedented, is available to humankind, which is to intervene in our own evolution in a creative way, starting with bringing self and other into relational wholeness. This intervention may be feasible, given signs that separation consciousness is in decline (see Chap. 1).

The possibility of association based on the realization of symbiosis between self and others is depicted in Fig. 4.1, which shows a dynamic opposite to that of the schizoid dissociation in Chap. 3 (Fig. 3.1) that is informed by R. D. Laing's (1959) research.

The associative orientation is based on the realization that self and others share the same environment, which is illustrated by the outer circle in Fig. 4.1. Hence, the perception is that what affects the self affects others and vice versa. Because others are not objectified (in the manner of schizoid dissociation), the perception of information about others can be real and action toward them meaningful. The realization of symbiosis opens the door to empathy which, according to Daniel Goleman (1995), is an important area of emotional intelligence that helps leaders work interactively with others. Realization #1 also opens the door to the kind of meaningful action emphasized in CSR3 ethics research. For instance, a shift from separation to symbiosis is consistent with the motivation for positive duty, which is based on treating others with respect and honoring their moral personhood. This shift is approximated with a thought experiment devised by John Rawls (1971) whereby he proposed a *veil of ignorance* for the formulation of rules for justice for all. Individuals behind this veil do not know their own circumstances or those of others in society. In this position, they must choose rules by which they will

abide when they come out from behind the veil. Hence, fairness to all is viewed as acceptable, no matter what point of view is taken (Hartman & Desjardins, 2008, p. 81). The separation between self and others is blurred in this “thought experiment.” Meaningful action (following rules for justice) is based on the reality that self and others are in the same boat, so to speak, separated only by circumstances of birth. This appreciation comports with the associative perspective in Fig. 4.1.

As does Immanuel Kant’s categorical imperative that argues that duty arises from reasoning best known in the following form: act only according to rules that you would be willing to see everyone follow. Another form of the categorical imperative is to treat humanity, whether in your own person or in that of any other, in every case as an end and never merely as a means (Carroll & Buchholtz, 2015, p. 222). This ability to perceive self and others as closely associated is also consistent with the highest level of moral development in Lawrence Kohlberg’s (1969) theory, which was part of CSR3 research. This postconventional level includes an individual’s capacity to recognize that the welfare of all is important and that people should be treated not merely as means to some end but as ends in and of themselves, a perspective that supports positive duty. By comparison, individuals reasoning on the conventional or middle level of moral development are influenced by social approval and the rule of law, which comports with the negative duty of social control. Finally, at the lowest level in Kohlberg’s theory of moral development, people are influenced more by the need to avoid punishment or gain reward (Treviño, 1992; Weber, 1993; Weber & Green, 1993), the threat of punishment also consistent with the emphasis on social control that has historically been emphasized by business and society research.

Sandra Waddock (2009) summarizes the relevance of Kohlberg’s theory to business and society:

[M]oral development brings with it an increasing capacity to take the perspective of others and think through decisions and their implications systematically, which we have argued is essential for developing good stakeholder relationships and ultimately leading corporate citizenship. The later stages of development, because they encompass earlier stages, represent more advanced ways of reasoning that take increasing amounts of information and complexity into consideration and allow people to think more systematically and in a longer time frame. (p. 101)

Carol Gilligan's (1982) description of moral development as an ethic of care is often given as alternative to Lawrence Kohlberg's theory. However, both theories describe the highest level of moral reasoning as being other-regarding, which is consistent with positive duty. In Gilligan's theory, the postconventional level emphasizes care as a self-chosen principle due to the perceived interconnectedness of self and others (Waddock, 2009, pp. 102–103), which speaks directly to the realization of symbiosis. Chris Laszlo and Judy Sorum Brown (2014) hold that those who experience a strong sense of connectedness are more likely to care for others, which speaks to the moral motivation for positive duty.

The CSR discovery model in Chap. 5 will demonstrate how the associative executive is capable of creating constructive relationships with stakeholders. Realization #1 is necessary for this type of leadership. An associative executive can potentially lead employees to care about stakeholders and respect their moral dignity and rights. Realizing symbiosis means that positive duty and its moral motivation can prompt an executive to want to discover the nature of stakeholder expectations on an ongoing basis and direct other employees to do the same.

To put the situation in perspective, the dissociative mindset based on isolation and predetermined thought patterns cannot be other-regarding. In contrast, an associative mindset is relational and receptive to information from others. The first case represents a closed mind. In the second case, the mind is open.

## Realization #2

Realization #2 follows from Realization #1. A mindset that understands the symbiosis between self and others understands that symbiosis defines relationships between business organizations and their environments.

*Business organizations have symbiotic relationships with their social and natural environments.*

During the CSR2 phase of business and society research, the U.S. Committee for Economic Development (CED) (1971) called for the business sector to recognize this symbiosis by attending to social and

environmental problems whether or not this sector was singularly responsible for them. In encouraging business to take on the goals of eliminating poverty, providing good health care, and making sure communities have decent housing, efficient transportation, and a clean environment, the CED noted that:

The discontinuity between what we have accomplished as producers and consumers and what we want in the way of a good society has engendered strong social pressures to close the gap—to improve the way the overall American system is working so that a better quality of life can be achieved for the entire citizenry within a well-functioning community. (p. 13)

The stakes of failing to recognize this expanded role for business are enormous. William C. Frederick (1995, 2012, p. 32) observes that no entity exists apart from an ecosystem that contributes in one way or another to the perpetuation of collective life in the system. Wayne Visser (2011) provides some examples of what this symbiosis means for business organizations and their social and natural environments in the global context of CSR4 research:

According to the Global Footprint Network, humanity's ecological footprint, driven by the spread of capitalism and Western lifestyles globally, has more than tripled since 1961. Since the late 1980s, we have been in "overshoot"—meaning that the world's ecological footprint has exceeded the earth's biocapacity. A second environmental indicator is the Living Planet Index, compiled by the Zoological Society of London, which shows a nearly 30% decline since 1970 in nearly 5000 measured populations of 1686 species around the world. These dramatic losses in our natural wealth are being driven by deforestation and land conversion in the tropics (where species have declined by 50%) and the impact of dams, diversions and climate change on freshwater species (35% decline). Pollution, over-fishing and destructive fishing in marine and coastal environments are also taking a considerable toll. (pp. 9–10)

Given the stakes, it is important for the executive mindset to discard dissociation and separation consciousness in favor of realizing symbiosis, including with nature. On this point, Sandra Waddock (2009) holds that:



Truly greening a company involves generating a new awareness of the importance of the natural environment among its leaders. This shift of consciousness moves thinking away from the dualism, fragmentation, and mechanistic view of nature found in Western ways of viewing the world toward the more holistic, organic, and integrative perspective, what Peter Senge (1990) called a *metanoia*, or shift of consciousness. (p. 295)

The shift of consciousness needed is from separation consciousness to unity consciousness.

### Realization #3

A mindset based on separation consciousness perceives organizations as freestanding entities. Organizations led by such a mindset can become runaway systems that, in zealously pursuing singular goals like profit or greed, result in Enron-like failures. Of these, there are plenty of examples. In such cases, economic value usually declines, along with social and environmental well-being. In other words, triple bottom line impacts are negative. In terms of the *tragedy of the commons*, this maximizing behavior is not in balance with the whole and, therefore, leads to suboptimal results for all (Hardin, 1968). In contrast to this scenario, the pursuit of corporate responsibility requires the executive to have a sense of balance in carrying out the terms of the social contract.

*The responsible business leader pursues a balanced enactment of economic, social, and environmental goals.*

Wayne Visser (2011) speaks to the need for this balance, noting that when firms at large harm the natural environment, massive losses in economic value result:

What many people fail to appreciate is how uneconomic this environmental destruction really is. For example, a 2010 study conducted for the UN by Trucost found the estimated combined damage of the world's 3000 biggest companies was worth 2.2 trillion in 2008—a figure bigger than the national economies of all but seven countries in the world that year, and

equal to one-third of the average profits of those companies. In 2010, The Economics of Ecosystems and Biodiversity (TEEB) study also found that degradation of the Earth's ecosystems and biodiversity due to deforestation alone costs us natural capital worth somewhere between \$1.9 and 4.5 trillion every year. (p. 10)

The macro values that define the social contract as triple bottom line impacts (Fig. 2.1) are based on William C. Frederick's (1992, 1995) theory of business values and his understanding that economizing, power aggrandizing, and ecologizing are the sources of authentic business and society tensions or trade-offs, which he describes as follows:

*Economizing/power aggrandizing tensions.* Augmenting and preserving the power and status of individual managers, as well as that of the entire enterprise, can become central goals that replace economizing growth as an organizational goal. The trade-off comes about when status claims from top-level executives are carried out by other organizational actors at the cost of economic efficiency. This trade-off seems evident when mergers and acquisitions appear to serve executive empire building instead of shareholder value.

*Economizing/ecologizing tensions.* The long-term sustainable life chances of communities can be reduced by business economizing, as when acid rain from the burning of fossil fuels threatens forest, lake, and stream ecosystems. Conversely, economizing may be negated, at least in the short run, when ecologizing or sustainability is given priority, as was the case when major manufacturers of chlorofluorocarbons agreed to restrictions of production and use.

*Power aggrandizing/ecologizing tensions.* Again, the quest for organizational scale and scope can be falsely rationalized as economic when it is actually fueled by a quest for power and prestige. This kind of expansion usually limits ecologizing values and opportunities, as when business growth displaces ecosystems or threatens drinking water supplies (Frederick, 1995, pp. 10–14; see also Frederick, 2006, p. 148).

Leading the triple bottom line means striving to capitalize on a firm's potential to enhance community life prospects by economizing and

ecologizing in lieu of power aggrandizing. This relates to the new micro principle of responsibility in Chap. 2 that states that executives should forgo power seeking in favor of directing a firm to economize and ecologize. The terms of the social contract call for a *balanced* enactment of these two goals in transforming them into positive triple bottom line impacts. Mutualistic economizing, introduced in Chap. 2, is an important means to such balance. Mutualistic economizing is possible because economizing and ecologizing exist in symbiosis, which the associative mindset is able realize. Consistent with CSR2 research that stressed the interdependence of business and society, economizing and ecologizing are inexorably linked because economizing cannot take place absent an ecological context. Practically speaking, mutualistic economizing is possible when a firm seeks its own economic advantage while permitting exchange conditions that allow the other party to gain benefits (see Frederick, 1995, p. 160). In this way, partnerships between organizations can create economizing and ecologizing benefits in tandem. If these benefits enhance not only the quality of human life, but the physical features of nonhuman systems as well, then sustainability in its broadest sense (i.e., positive triple bottom line performance) can be served. This was depicted in Fig. 2.1.

For example, mutualistic economizing may occur when firms partner with universities to train engineers or other specialists in areas germane to ecological sustainability, such as innovations in renewal energy that may yield profits while benefitting communities and preserving the natural environment. Mutualistic economizing may also take place when corporations strengthen ties to their communities by making charitable contributions to nonprofit organizations dedicated to social or environmental missions. In such cases, firms may benefit economically by improving demand or input conditions (Porter & Kramer, 2002) or vis-à-vis reputational benefits that pay off (Dechant & Altman, 1994; Fombrun, Gardberg, & Barnett, 2000). Indeed, there is a growing consensus among academics that a good reputation for social and environmental performance among stakeholders can result in or contribute to a firm's positive financial performance (Fombrun, 1996; Mahon, 2002; Orlitzky, Schmidt, & Rynes, 2003; Porter & Kramer, 2006).

In fact, the convergence of financial and societal objectives characterizes the trajectory that corporate responsibility research has taken in the past two decades (Carroll, 2008). The synergistic effect of this

convergence in practice is more triple bottom line outcomes for society (Swanson & Orlitzky, 2016), which is why mutualistic economizing has more potential to support communities than competitive economizing alone (Frederick, 1995, pp. 9–10, 161). Hence, the corporate philanthropy that was emphasized during CSR1 is now viewed by many as a strategically sound way for firms to create mutual benefits for business and society. Realizing symbiosis between business and society is already underway by those adopting this view. Jeffrey Hollender and Bill Breen (2010), authors of *The Responsibility Revolution*, observe that:

[A] whole host of economic and societal pressures—and opportunities—are pushing corporations to embrace a model of a more expansive business purpose. In a 2007 report by McKinsey, the global consultancy, more than 90 percent of the CEOs surveyed said they are doing more to push environmental and social strategies into their operations than five years ago. Even *Forbes*, the self-described “Capitalist Tool,” has boasted of a surprising turnaround in its profits-centered ethos. “Do corporations exist solely to maximize their bottom lines?” the magazine asked in a subhead to a March 2008 article.<sup>2</sup> Its emphatic reply: “We don’t think so.” (p. 5)

The executive who realizes a balanced approach to corporate responsibility will create an optimal portfolio of programs and policies for economic, social, and environmental performance<sup>3</sup> (see Waddock, 2009). It is the sum total of triple bottom line performance across a portfolio of projects that matters for any one firm, given that singular projects do not necessarily support all three outcomes.

## Realization #4

Realization #3 is consistent with the social contract conclusion that business firms are legitimate if they economize and ecologize. Positive triple bottom line impacts are the concrete expressions of these two macro values. Given this understanding, an associative mindset will perceive that information pertaining to these macro values is imperative in decision making, as are the personal and organizational values that make their enactment possible. Hence:

*The responsible business leader discovers how to embed (a) value information and (b) the personal and organizational values that facilitate triple bottom line performance in organizational decision processes.*

This realization embraces association in two ways. First, it is consistent with the insight from CSR2 that processes of corporate responsiveness are means to responsibility goals. This way of thinking discards an artificial division between means and ends. Second, by recognizing the importance of values, Realization #4 repudiates the fact/value dualism that is part of separation consciousness. Because an associative mindset perceives symbiosis, it perceives continuity in these dimensions of decision making, which is why executive association has the potential to create unity consciousness between business and society in terms of [Proposition #2](#). As Clarence E. Ayres's (1944) put it:

To speak of value is to speak of the relation of any single act—choice, preference, decision, or judgement—to the whole life process. (p. 225)

Jeffrey Hollender (Hollender & Breen, 2010) describes the nature of such consciousness. He does so based on his experience co-founding Seventh Generation, a firm that produces and distributes sustainable household products. He speaks to the role that values have in empowering an organization to be aware of its triple bottom line purpose.

To define and grow a collective consciousness is to develop a clear line of sight into a company's essence, or *true identity*—the values and characteristics that make up the company's fundamental beliefs; its *global imperatives*—long-term pursuits that benefit society and the planet; and its *corporate direction*—the lens that brings business and social purpose into sharp focus and enhances the organization's performance. (p. 164)

## Realization #5

According to Fritjof Capra (1996, pp. 174–175), seeing the interrelatedness of all things is necessary for a new mindset that perceives the world as integrated rather than a dissociated collection of parts. He holds that

the kind of reasoning that accommodates this involves a process of knowing that perceives changes. Because complexity and continuous change are integral to the co-evolving, symbiotic relationship between business and society (see Frederick, 1998, pp. 359–360), Realization #5 is that corporate responsibility must be an ongoing process of discovery, which brings organizational learning into focus.

*The responsible business leader directs employees to continually learn about the firm's economic, social, and environmental impacts and stakeholders' expectations and assessments of them.*

The responsible organization is a learning organization. This brings the role of boundary spanners into focus. According to Realizations #1 and #2, the associative executive does not perceive a strict separation between business and society. Instead, the executive who perceives symbiosis is aware that the so-called “boundary” between a firm and its stakeholders is permeable and subject to change, especially given social media platforms and other forms of instantaneous communication. Corporate volunteer programs for employees, increasingly popular, also blur the boundary between a firm and its stakeholder environment (Ryan, 2012; Savitz, 2013).

An important function of boundary spanners is to learn about stakeholder expectations of triple bottom line performance and assess performance accordingly. The associative executive understands the imperative of adopting a boundary spanning mentality and requiring it in other employees, especially since environmental complexity has increased due to global business (Waddock, 2017). Gerard Seijts, Niels Billou, and Mary Crossan (2010) speak directly to business executives about the need to learn about environmental complexity and to direct other employees to do the same:

Coping with the complexity of today's business environment is not about predicting the future or reducing risk. It's about building the capacity, in yourself, your people, and the organization to adapt continuously and learn speedily, in order to maximize the chances of seizing fleeting opportunities. The unpredictable, unstable, non-linear, and fast-paced nature of

the complex interrelationships between nations, firms, and persons that shape the global economic landscape are at the root of today's risk-management challenges. Hence, these relationships are of central concern to leaders. In these turbulent times, the question becomes: How can business leaders effectively cope with complexity?

Chapter 5 will address how the associative executive can direct employees to continually discover the value expectations of stakeholders as they relate to the triple bottom line. Although it is perceived wisdom to acknowledge the complexity of the business environment, it is less common to account for the value expectations of stakeholders that factor into this complexity (Swanson & Dahler-Larsen, 2008).

## The Path from Association to CSR Discovery Leadership

This chapter has provided a counterpoint to the mindset of executive dissociation. It has done so by identifying the realizations necessary for an associative mindset capable of unity consciousness. Chapter 5 will elaborate on how the associative executive can become a CSR discovery leader by using organizational means in service of the social contract.

### Notes

1. The integrative model of corporate social performance (CSP) in Chap. 2 (Fig. 2.1) was informed by previous CSP models to illustrate the relationships among business and society topics for the purpose of theory building.
2. The *Forbes* article cited is by M. Todd Henderson and Anup Malani (2008).
3. The term "optimal" is used here to denote triple bottom line projects that are deemed most advantageous or favorable, *given a firm's technology and resources at a point in time*.

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# 5

## Toward Shared Value Consciousness Through CSR Discovery Leadership

Building on the realizations necessary for an associative mindset, this chapter describes a business organization as a means-ends continuum for the selection, retention, and enactment of values that can bring about positive triple bottom line outcomes. It also provides a partial inventory of the constructive values that an executive can embed in an organization's culture as means toward these outcomes. All considered, this chapter elaborates on Proposition #2, which was given earlier as a touchstone for this book: *An associative mindset at the apex of corporate life has the potential to create unity consciousness between business and society based on shared understandings of the constructive values at stake in the relationship.*

A brief summary of the five realizations necessary for an executive associative mindset begins with the perception that (1) relationships between the self and others are symbiotic and (2) relationships between business organizations and their environments are symbiotic as well. The responsible executive (3) pursues a balanced enactment of triple bottom line goals by (4) embedding those values that facilitate these goals in organizational decision processes while (5) directing employees to learn continually about a firm's triple bottom line impacts and stakeholders expectations and assessments of them. The focus of this chapter is on the fourth and fifth realizations, with the stipulation that the executive who

strives to carry them out has the potential to become a CSR discovery leader. Another way to look at these realizations is that the first three are necessary but insufficient for CSR discovery leadership. This type of leadership requires the ability to transform the fourth and fifth realizations into practice.

## The Methodology

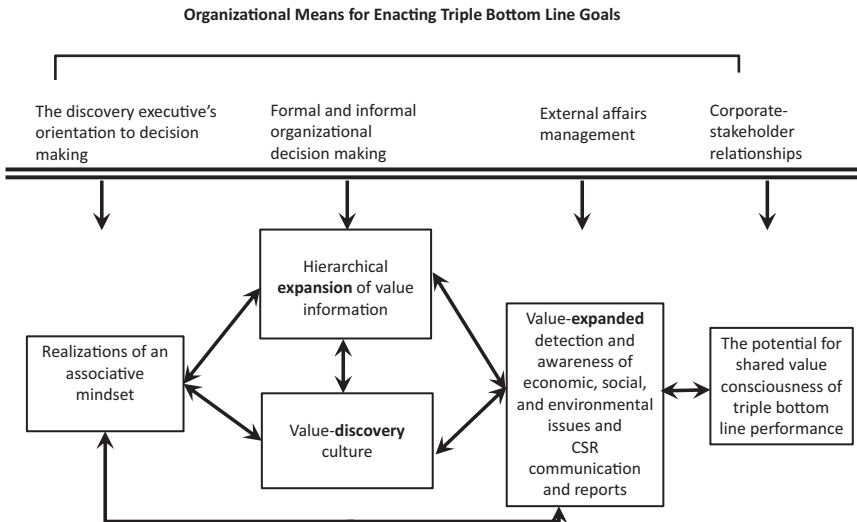
The ideal type method is used again, this time to provide a pure counterpoint to executive and organizational dissociation, the subject of Chap. 3. This chapter provides this counterpoint by modeling the implications of an associative mindset for socially responsible leadership. The value concept is the common denominator in this model, an approach consistent with theory building based on grouping objects of investigation according to relationships based on similarities (Kuhn, 1970). If these objects have concepts in common, then their logical connotations can be made more easily (Jones, 1983; Ashby & Stogdill, 1970). Since the value concept is common to the objects of investigation in the integrative model of corporate social performance in Chap. 2 (Fig. 2.1), the implications of executive association for organizations and society can be drawn from its classifications. This method is further strengthened because the value concept relates to the cognitive, affective, behavioral, evaluative, and experiential meanings of organizational leadership (Lord & Brown, 2004, p. 117). In this regard, it is a unifying attribute for understanding organizational dynamics. And it unifies in yet another way. Values coexist with other values to operate dynamically across different levels of analysis, including the individual, organizational, and societal domains (Agle & Caldwell, 1999; Rokeach, 1973; Williams, 1979). As such, values can help create shared understandings between organizations and their stakeholders. This is the point of Proposition #2, given above.

A cautionary note is that the ideal-type model of CSR discovery leadership in this chapter is less deterministic than the model of dissociation in Chap. 3 (Fig. 3.2). The difference is that the latter represents a closed, static system whereas the former exemplifies an open-ended, dynamic one. Quite simply, it is less demanding to model a closed system than

an open one. In terms of corporate social performance, dissociation represents moribund decision making whereas association embodies a search and discovery mode that can create more potential for positive triple bottom line impacts. Applying Karl Weick's (1969) perspective, much depends on the executive's ability to insure that information about stakeholder expectations gets *selected and retained* in decision processes and *enacted* as responsible triple bottom line performance. Moreover, the CSR discovery executive must embed the personal and organization values that facilitate such performance in decision processes, as the following discussion substantiates.

## The Path to CSR Discovery Leadership: Directing Associative Decision Making

Figure 5.1 indicates that the executive who has internalized the five realizations has a *realized associative mindset*. This executive is highly receptive to information about the values relevant to triple bottom line performance. This *value receptivity* is the opposite of the *myopia* of dissociation



**Fig. 5.1** CSR discovery leadership and the potential for shared value consciousness. Adapted with permission from Swanson (1999)

in Chap. 3 that leads an organization to neglect or harm society. The associative executive will use hierarchical (formal) and cultural (informal) means to facilitate value receptivity throughout the organization and direct decisions toward a balanced enactment of triple bottom line goals, à la Realization #3. Although the totality of culture includes both the formal and informal organization, these two aspects of culture are again shown separately, this time in Fig. 5.1, to emphasize the importance of selecting and retaining value information along the chain of command in ways that countervail the tendency for hierarchy to facilitate amoral management or the *iron cage of dissociation* described in Chap. 3.

### Utilizing Formal and Informal Means

The associative executive will direct a *hierarchical expansion of value information* in decision processes by insisting that data about stakeholder expectations of triple bottom line performance be codified in formal reports that are distributed widely throughout the organization. Moreover, the associative executive understands that such expectations are reflections of stakeholder ethical values. For instance, when consumers assert their *right to truth* in advertising, they are communicating that they *value* it as a *fair* practice, one that helps protect their perceived *right to safety* and *wellbeing*. The associative executive will task employees with *selecting* such information for inclusion in reports, memos, agendas, and other official feedback that is transmitted along the chain of command. It follows that the executive will direct department heads and the Office of Human Resource Management to hire and reward employees for value receptivity. The accretion of information that is *selected* and *retained* can support a value-discovery culture capable of *enacting* responsible social performance (as indicated by the arrow from hierarchy to culture in Fig. 5.1). The firm's mission statement or credo can be designed to represent an authorized commitment to this enterprise, one that helps *retain* its significance.

Notwithstanding this prospect, hierarchy filters information by design. At some point, it can become a recalcitrant tool for information expansion. For this reason, the associative executive may want to consider redesigning the organization to create a flatter structure, so that information

does not have to be transmitted across several management levels (see Guffey, Rhodes, & Rogin, 2009, p. 5; Halal, 1994).<sup>1</sup> Regardless of how the formal organization is structured, the limitations of hierarchy for expanding value information may be counteracted if a firm's boundary spanners, especially those in the Office of External Affairs Management, continually provide the executive and other employees with up-to-date information about stakeholder expectations. Managers at every level should communicate frequently with this office to ensure that this information is not distorted, misunderstood, ignored, or lost. This ongoing communication is illustrated in Fig. 5.1 by the two-way arrows between external affairs management and the formal organization. This information can be useful if the executive *selects* it for consideration in shaping strategies, policies, and procedures and subsequently requires an audit of results. This goes to Realization #5, which is that the responsible organization will continually learn about a firm's triple bottom line impacts and stakeholder's expectations and assessments of them.

The ability for employees to recognize and attend to these expectations depends to a large extent on the personally-held values that are embedded in the organization. According to Realization #4, the associative executive is aware of the influence that he or she has in this determination and the relevance of what George England (1975, 1978) calls *operative*, *adopted*, and *intended* values. These value categories were not mentioned in the discussion of the dissociative organization in Chap. 3 because they were moot at that juncture. After all, the dissociative mindset perceives such a radical separation of self from others that information about others is not detected, much less processed. In contrast, the associative executive perceives symbiosis (Realizations #1 and #2) and grasps that the constructive values that facilitate a firm's quest for positive triple bottom line performance must be embedded in organizational decision processes (Realizations #3 and #4). The first classification of personally-held values relevant to these processes is *operative*, which are those values that employees rank as highly important and successful in the workplace. Because these values are more or less officially attached to formal roles, they have the greatest impact on decisions. Employees act directly on them by channeling information into officially defined responses to problems. Applying Karl Weick's (1969) perspective, when workers *select*



these values to use in decision making, the equivocality of information is reduced. When workers *retain* these values, they can recall them for further use. For instance, if safety (a value) is attached to the official role of engineers, then engineers will likely incorporate safety information in present and future decisions. If enough of them do, then the organizational *enactment* of safety is a distinct possibility, especially since values influence not only perception, but behavior as well (Rokeach, 1973).

In contrast to operative values, the second group of *adopted values* represent those that subordinates observe as being successful in organizational life; however, they do not rank these values as very important. Although employees do not internalize these values, they are likely to *select* and *retain* them for decision making. Finally, the third grouping of *intended values* are those that employees consider highly important; yet, these values do not fit their work experience. Because professed (intended) values are seen as neither permissible nor useful, they are rarely *selected* and *retained* for use in problem solving (see Argyris & Schon, 1974). They are mostly *suppressed* and, therefore, not *enacted*.

Much of the potential for CSR discovery leadership lies in the ability of the executive to identify the individual values that make positive triple bottom line impacts possible and embed them in decision processes to be *selected, retained* and *enacted*. *This involves aligning operative, adopted, and intended values as much as possible*. For instance, the executive should ensure that the *operative values* that support corporate responsibility define official roles and offices. The executive should also use official means, such as employee training, to encourage employees who do not already rank these values highly to *adopt* (select) them. Finally, the executive can unlock more potential for corporate responsibility by ensuring that constructive values are not suppressed or merely *intended*. For instance, if safety information and goals are suppressed by some employees, then the associative executive will seek ways to make safety *operative* by way of formal policies, programs, and procedures.

This goes to an important aspect of CSR discovery: it matters *which* values get *selected* and *retained* in the formal organization. The relative emphasis placed on values also matters. Notably, *obedience* is a personal value (Rokeach & Ball-Rokeach, 1989). Yet *blind obedience* along the chain of command can work against an expansion of value information

by encouraging employee silence and moral muteness (Bird & Waters, 1989; see also Drumwright & Murphy, 2004). This proposition recalls that hierarchy can be a recalcitrant tool for value expansion, not merely because it filters information (March & Simon, 1958), but also because employees are expected to demonstrate some degree of obedience to formal policies and procedures. If these policies and procedures support triple bottom line goals, then obedience can be constructive, but only to a point. Discussed later, advanced organization learning is possible only if operating norms can be questioned openly by employees. The associative executive is aware of this (Realization #5) and officially welcomes employee input.

To summarize what has been said so far, the associative executive has the potential to become a CSR discovery leader if he or she works to ensure that information about stakeholder values gets transmitted along the chain of command without getting distorted, misunderstood, ignored, or lost. At the same time, this executive strives to make certain that the individual values that support responsibility goals get enacted. A partial inventory of these constructive values is provided later.

According to Fig. 5.1, the associative executive also endeavors to create and sustain *value-discovery* in the informal organization. There are several means for doing so. The executive can unofficially mentor employees to encourage them to enact CSR goals. He or she can also enable informal gatherings, communication, and networking about stakeholder expectations to take place, perhaps by making blog sites and video conferencing available to employees for optional use. Events that celebrate corporate responsibility, such as annual dinners at which employees receive CSR awards, could be held to encourage an appreciation for associative decision making. After all, all cultures have unique rites, rituals, legends, and heroes (Deal & Kennedy, 1982). Those that commemorate corporate responsibility can reinforce it throughout the organization, as shown by the arrow from culture to hierarchy in Fig. 5.1. Most of all, the associative executive understands that his or her own behavior influences the values that get selected, retained, and enacted in the organization (see Lord & Brown, 2004, p. 118). The executive who “walks the talk” of association implicitly signals that employees should to do the same. For example, when an executive responds to a crisis swiftly in order to protect consumer

safety, as CEO James Burke of Johnson & Johnson did during the Tylenol crisis in 1982, it speaks volumes to employees about the significance of stakeholder wellbeing (see Rego, Cunha, & Clegg, 2012). Valuing this wellbeing can become a point of pride in the discovery culture.

## Recognizing the Power of Constructive Values

To recap, the CSR discovery executive will use formal and informal means to direct decision processes toward positive triple bottom line performance. According to Realization #4, this executive understands the importance of embedding *constructive values* in these processes. Before providing a partial inventory of these values, it is important to grasp the meanings assigned to the value concept. William C. Frederick (1995) summarizes them as follows.

- *Value as belief*: A value is an enduring belief that a specific model of conduct or end state is personally or socially preferable to another. Beliefs of this sort display cognitive, affective, and behavioral dimensions (see Kluckholm, 1951; Rokeach, 1973, p. 5).
- *Value as relationship*: Value expresses a relationship that a person or group has to others or to the environment, thus expressing the interconnectedness of all things and the continuity of human experience (see Ayres, 1944, p. 43).
- *Value as judgment or evaluation*: Value refers to the process by which means are appraised or judged for attaining the ends sought. Since goals attained become means to other ends, valuation is a means-ends process (see Dewey, 1922; Kluckholm, 1951).
- *Value as experiential*: Values are integral to the human experience and to the meaning assigned to experience. People learn values through experience and values are responsive to changes in experience (see Williams, 1979) (pp. 14–20).

Likewise, the role of values in corporate responsibility is multifaceted. Previewed earlier, values are relational, experiential, and evaluative. They influence perception, motivate behavior, and influence the meaning

assigned to outcomes. They coexist with other values to operate dynamically across different levels of analysis, notably the individual, organizational, and societal domains (Agle & Caldwell, 1999; Rokeach, 1973; Williams, 1979). Constructive values, i.e. those that can facilitate positive triple bottom line performance, represent a powerful resource for the executive who wants to lead social responsibility and forge shared value understandings with stakeholders.

### Candidates for Constructive *Individual* Values

It is important to identify the individual values that executives can leverage to bring about the information expansion and cultural discovery shown in Fig. 5.1. Some candidates are *ambition, broadmindedness, capability, courage, helpfulness, honesty, imagination, independence, intellect, logic, love, obedience, responsibility, and self-control*. These values are from Milton Rokeach's (1973) accounting of *instrumental values*, which are personal beliefs, attitudes, and preferable modes of behavior for achieving *terminal values* or desirable end-states. Rokeach also identified *terminal values* held by individuals. However, they are not included in candidates for constructive values here, because discovery goals do not represent end states for individuals.<sup>2</sup> Rather, they are *organizational* goals related to economic, social, and environmental performance. To illustrate, *ambition* is an *instrumental value* that an employee may perceive as means to his or her *terminal value* of *a comfortable life* or *sense of accomplishment*. However, in terms of Fig. 5.1, employee *ambition* would be considered *constructive* only if the executive capitalizes on it to enact responsible triple bottom line goals. One way to leverage employee ambition is for all departments to have responsibility criteria for raises and promotions.

Similarly, *obedience* would be constructive if it means that employees will conform to policies that support triple bottom line goals. However, mentioned earlier, *blind obedience* can be counterproductive if it encourages employee silence and moral muteness. Moreover, such myopic obedience could easily come into conflict with many of the constructive individual values listed above. For instance, it would be difficult for employees who are *blindly obedient* to exercise *independence, intellect,*

*honesty*, and *courage* (see Jackall, 1988; Stead, Worrell, & Stead, 1994). This goes to the situational nature of values. It also underscores the ever-present possibility of amoral decision making if employees suppress constructive values in favor of unexamined organizational imperatives (see Scott & Hart, 1979, p. 63). The discovery executive makes it known that corporate responsibility is *the* organization's imperative.

George England (1967, p. 66) long ago called attention to the "endless variation" in the personal value systems of managers and other employees. The discovery executive grasps the situational disposition of personal values and finds ways to embed those that serve responsibility goals in the organization's culture. Such *value discrimination* is necessary for understanding the role of *constructive organizational values* as well.

### Candidates for Constructive *Organizational Values*

The potential for CSR leadership also hinges on enacting constructive organizational values. Some candidates are *communication, community wellbeing, compliance, cooperation, efficiency, economic growth, ecological sustainability, employee cohesion, innovation, learning, productivity, product quality, resource conservation, safety, teamwork, transparency, and, trust*. Most of these values can be measured, assessed, and monitored, including *compliance, efficiency, productivity, product quality, resource conservation, and safety*. Many of them are interrelated. For example, Frederick (1995, pp. 44–49) notes that *efficiency, productivity, and innovation* are signs of *economic growth* or indications that a business organization has attained a margin of energy from its resource inputs. In other words, they are indications of *economizing*, one of the two macro values that defines legitimate triple bottom line goals (see Chap. 2). Moreover, signs of *ecologizing*, the other macro value, include *safety* and *product quality* that enhance *community wellbeing* and, when combined with *resource conservation*, can serve *ecological sustainability* as well.

These efforts to be socially responsible require *facilitating* constructive values, such as *employee cohesion, innovation, learning, and teamwork*. The discovery executive is able to discern the value combinations that serve responsibility goals, as the following example demonstrates.

## Constructive *Value Cohesion* in Action

The case of the Johnson & Johnson Tylenol poisonings, introduced earlier, has become a classic study of executive-led responsible crisis management. As background, seven people died in 1982 after cyanide, for reasons still unknown, was added to Tylenol capsules while they were on store shelves. In response, Johnson & Johnson, the maker of the product, incurred hefty expenses by taking the unprecedented action of voluntarily recalling and destroying the remaining capsules on the market. Elsewhere, I have described how this case illustrates constructive values coming together in action, which I refer to as *organizational value cohesion*.

During the crisis, James Burke, the chief executive officer and chairman of Johnson & Johnson, made aggressive and timely use of advertising and the media to apprise consumers *honestly* of the steps that were being taken to protect their *safety*. He also mobilized Johnson & Johnson employees to engage *cooperatively* in *teamwork* and work around the clock to recall the product. Reportedly, Burke instructed them to keep the firm's credo in mind, which prioritizes *product quality* and *community wellbeing*. The *helpfulness* of Johnson & Johnson employees in working to recall the product as quickly as possible suggests that the *constructive values* represented in the firm's credo had become *embedded and retained* in the culture, resulting in *organizational value cohesion*. It also suggests that employee efforts were guided more by a sense of *helpfulness* and *responsibility* than mere *blind obedience* to the chain of command. (Swanson, 2014, p. 105)

Constructive value cohesion was implicitly recognized by many who praised CEO Burke for displaying the personal values of *courage*, *responsibility* and *honesty* during the crisis (see Rego, Cunha, & Clegg, 2012). Not long after the crisis, Johnson & Johnson regained its market share (Kleinfield, 1983), which signaled that the *transparent communication* with consumers during the crisis and *cooperation* with the media helped rebuild the public's *trust*.

By all accounts, there was no way to know that Johnson & Johnson would survive the crisis, much less recoup its market share. With the

benefit of hindsight, it is now evident that reputational and financial benefits may accrue when the executive prioritizes and accepts responsibility for *community wellbeing* (Dechant & Altman, 1994; Fombrun, 1996; Fombrun, Gardberg, & Barnett, 2000; Mitroff, Anagnos, 2001). Not that this outcome is assured; nor is the choice necessarily easy. However, the dissociative executive will not even try to serve community, whereas the associative executive who wants to be a CSR discovery leader will. This highlights the importance of positive duty in leading the responsible firm, discussed shortly.

### Value Proficiencies

In keeping with the situational nature of values, the executive striving to be a CSR discovery leader will identify the distinct *value proficiencies* needed in organizational subcultures (see Savitz, 2013; Schein, 2010). For instance, although all employees should prize *efficiency*, this value has special significance for production. Similarly, *transparency* and *compliance* are especially important in the Office of Investor Relations. The need to match employee value proficiencies with specific tasks brings the Office of Human Resource Management into focus. The discovery executive will direct this office to hire for role-specific value proficiencies and work with department heads to reward employees for enacting them. The Rokeach Value Survey is one tool that can be used by human resource specialists to assess potential employees and determine if their values are aligned with those deemed constructive for the tasks at hand (see Robbins, Judge, Millett, & Jones, 2014, p. 81).

### Activating a Sense of Positive Duty

The potential for corporate responsibility hinges on the ability of the executive to activate a sense of positive duty in the formal and informal organization. Doing so is consistent with the realization that business and society have a symbiotic relationship. To reiterate, positive duty requires that managers and other employees extend themselves to stakeholders

by wanting to provide them with positive benefits based on respect for their moral personhood. This sense of obligation is distinct from negative duty that forces corporate actors to refrain from harming stakeholders by means of *social control* that include public policy, law, and public pressure. Described earlier, the fact that business and society research has emphasized social control while marginalizing positive duty is a remnant of separation consciousness.

### **Formalizing and Following a Vision of Constructive Association**

It appears that social control was not what prompted Johnson & Johnson's voluntary recall of a dangerous product. In fact, government agents were against the recall<sup>3</sup> and, because the crisis unfolded so quickly, the public did not have time to exert pressure on Johnson & Johnson (J&J) for remedial action (Moore, 2012). The firm was in uncharted territory and the values expressed in its credo, written in 1943, served as a formal touchstone for action, as the following account shows.

In a 2004 Wharton School Publishing Book titled, *Lasting Leadership: What You Can Learn from the Top 25 Business People of Our Times*, Burke emphasized the value of the J&J credo, dating back to the company's founding in 1887, which stated that the company is responsible first to its customers, then to its employees, the community and the stockholders, in that order. "The credo is all about the consumer," Burke said. When those seven deaths occurred, "the credo made it very clear at that point exactly what we were all about. It gave me the ammunition I needed to persuade shareholders and others to spend the \$100 million on the recall. The credo helped sell it." (Knowledge@Wharton, 2012)

The constructive organizational values expressed in this formal credo or statement of purpose include *safety, compliance, responsibility, product quality, efficiency, economizing, innovation, community well-being, resource conservation, and ecological sustainability*. The stakeholders featured in it are (1) all who use our products, (2) our employees, (3) all communities,



and (4) our stockholders, in that order. The following excerpts from J & J's credo reflect a sense of positive duty to these stakeholders:

- Our suppliers and distributors must have an opportunity to make a fair profit.
- We are responsible to our employees, the men and women who work with us throughout the world. Everyone must be considered as an individual. We must respect their dignity and recognize their merit.
- We are responsible to the communities in which we live and work and to the world community as well. We must be good citizens — support good works and charities and pay our fair share of taxes. We must encourage civic improvements and better health and education
- We must maintain in good order the property we are privileged to use, protecting the environment and natural resources.
- Our stockholder should realize a fair return. (see Carroll & Buchholtz, 2012, p. 127)

The fact that these statements were crafted prior to the proliferation of social and environmental legislation in the U.S. in the 1960s and 1970s and before the term “corporate social responsibility” was widely known suggests that the founder, Robert Wood Johnson, intended to embed values supportive of positive duty in the company's culture. Nonetheless, Johnson & Johnson has been criticized recently for ethical and quality lapses that belie its credo (Kimes, 2010; Santoro, 2013). Obviously, a firm's formal statement of purpose by itself is insufficient for maintaining a sense of positive duty in its culture. Leadership is key.

### **Leveraging Employee Engagement in Volunteerism**

Other formal ways to activate a sense of positive duty among employees include hiring those who are capable of it and rewarding them for exercising it. After all, the drive to bond and care for others is typical in humans and, therefore, can be leveraged to achieve cooperative engagement (Frederick, 2012, p. 130). To this end, Andrew Savitz (2013, p. 348) suggests that human resource management specialists ask job applicants

about past volunteering efforts. In terms of constructive values, at least four of the individual ones listed previously are consistent with exercising positive duty through volunteerism. These are *broadmindedness*, *helpfulness*, *love*, and *responsibility*. These values also appear to be necessary for advanced moral reasoning. According to Lawrence Kohlberg's (1969) theory, covered in Chap. 4, employees who can reason at the apex of moral development are able to recognize that the welfare of all in society is important and that people should be treated not merely as means to ends but as ends in and of themselves. Carol Gilligan's (1982) ethic of care, also described in Chap. 4, gives the highest level of moral development as representing a self-chosen principle that perceives symbiosis or the interconnectedness of self and others. Advanced moral reasoning can also be understood in terms of a universal appreciation of the need to promote environmental sustainability (Carroll & Buchholtz, 2015, p. 445).

The discovery executive understands that these aspects of positive duty may be activated when employees voluntarily engage in community projects that support societal and environmental well-being. As background, the term *employee engagement* was coined by William Kahn (1990) to describe an employee's commitment to work. In recent years, many business executives have come to recognize that a highly engaged workforce increases innovation, productivity, and bottom-line performance while reducing business risk and costs related to hiring and retention (HBRAS, 2013). The executive who encourages employees to engage in volunteerism may capitalize on these economizing benefits while enhancing social and environmental performance, a tripartite CSR strategy congruent with Realization #3. This possibility is buttressed by some specific advantages of CSR employee engagement, which Tim Mohin (2012) summarizes:

The connection between CSR and engaged employees continues to grow. A Hewitt & Associates study looked at 230 workplaces with more than 100,000 employees and found that the more a company actively pursued worthy environmental and social efforts, the more engaged its employees are. The Society for Human Resources Management compared companies that have strong sustainability programs with companies that have poor ones and found that in the former morale was 55% better, business processes were 43% more efficient, public image was 43% stronger, and

employee loyalty was 38% better. Add to all that the fact that companies with highly engaged employees have three times the operating margin and four times the earnings per share of companies with low engagement, and you've got a compelling business case for this trend to continue into 2012 and beyond.

Andrew Savitz (2013) adds that employee engagement in triple bottom line projects delivers business results while unleashing employee talent and commitment to work that can engage bystander employees. This suggests that employees who engage in volunteerism may serve informally as role models for non-engaged employees who may then be encouraged to adopt (or stop suppressing) other-regarding values that support positive duty.

All considered, employee engagement in volunteerism can support *mutualistic economizing*, which expands the possibilities for corporate responsibility. Introduced in Chap. 2, mutualistic economizing refers to symbiotic relationships or partnerships between organizations that facilitate both economizing and ecologizing—or positive triple bottom line impacts. Compared to competitive economizing, mutualistic economizing has more potential to support community well-being (Frederick, 1995). For example, mutualistic economizing is occurring when corporations strengthen ties to local communities by partnering with organizations with social or environmental missions. When these partnerships involve volunteerism among employees, then their engagement can strategically benefit their firms while supporting community. Moreover, these new organizational networks may multiply contributions to the greater good. An example of how mutualistic economizing can be a vehicle for positive duty is that Patagonia pays employee volunteers to work with nonprofit environmental groups around the world (Scott, 2012). Andrew Savitz (2013) weighs in again:

One simple, common, yet highly effective way to begin building the link between sustainability and employee engagement is through volunteer programs that directly relate to your company's sustainability agenda and are shaped and driven, at least in part, by the interests and passions of your employees. (pp. 344–345)

Research supports the notion that strategic volunteerism can be an effective way to increase the number of employee participants in sustainability programs. It also suggests that employees who volunteer are much more engaged and reflect that engagement in a number of specific positive behaviors. They're more likely to recommend their company and its products to others and to express loyalty and trust toward the company. One survey shows that employees who volunteer are more likely to recommend their company to job seekers. (p. 348)

Volunteerism also provides employees with opportunities to improve problem solving and out of the box thinking (Scott, 2012), which may boost organizational learning (discussed in more detail in the next section). Moreover, volunteerism can enhance an organization's understanding of stakeholder values when employee volunteers bring this information back to their firms. This prospect is discussed next as expanded boundary spanning.

## Highlighting Other Discovery Processes

Realization #5 is that the associative executive comprehends the need to direct employees to continually learn about a firm's triple bottom line impacts and stakeholder expectations and assessments of them. This section highlights some interrelated practices that follow from this realization, starting with expansive boundary spanning.

## Expanding Associative Boundary Spanning

Mentioned earlier, the tendency for hierarchy to limit the expansion of value information may be offset if a firm's boundary spanners continually provide the executive and other employees with up-to-date information about stakeholder expectations. Employees engaged in community volunteerism can do so through formal and informal channels and, in the process, help create and maintain shared value understandings between firms and their stakeholders. In essence, these employee volunteers can function as ambassadors who not only represent their company's values

to the community but also the community's values to their company (see Choi & Gray, 2011). Two way arrows in Fig. 5.1 show that the executive should task the Office of External Affairs Management with transmitting all information about stakeholder expectations of triple bottom line performance to the executive and other employees. Social media platforms and mobile communication make it possible to engage stakeholders, especially consumers, in ongoing conversations about corporate responsibility (Mohin, 2012), which gives stakeholders a voice in triple bottom line issues. Indeed, the trend is for more firms to use social media and mobile communication to do so (Cone Communications, 2015). A consultancy firm, Sustainly, reports that:

Sustainly has seen an overall increase in the number of companies choosing to engage customers via social media. This year it found 273 companies that have some form of dedicated social media sustainability efforts—an increase from 230 in 2013, 176 in 2012 and a marked improvement from the 120 of 2011. [A]s social media has grown, so has public awareness of climate change, concerns about food quality and protection, and the issues of energy and waste. But too many companies make the mistake of talking about what they think is important rather than understanding the interests and passions of their social media community. ([edie.net, a](#))

The CSR discovery executive will try to avoid this mistake by striving for a *value-expanded detection and awareness of stakeholder issues*, as illustrated in Fig. 5.1. The manner in which a firm engages its stakeholders brings appreciative inquiry into focus.

### **Communicating Using Appreciative Inquiry**

Appreciative inquiry is a method of collaborative communication that is well suited to creating a positive shared vision of the future. David Cooperrider and Diana Whitney (2005) explain the sentiment behind appreciative inquiry (AI):

We are infants in understanding appreciative processes of knowing and social construction. Yet we see with increasingly clarity that the world is ready to leap beyond methodologies of deficit-based change and enter a

domain that is lifecentric. AI theory states that organizations are centers of human relatedness, first and foremost, and relationships thrive where there is an appreciative eye—when people see the best in one another, share their dreams and ultimate concerns in affirming ways, and are connected in full voice to create not just new worlds but better worlds. (p. 61)

This form of communication is relevant to responsible leadership because it is designed to discover what enables a system to support economic and ecological health. Hence, it can be used internally for developing individuals and teams that align cooperatively with this vision while including input from external stakeholders (Ludema, Manning, & Johnson, 2016). Since appreciative inquiry involves asking participants what values and behaviors they consider most important, it can be employed to discover stakeholder expectations of triple bottom line performance. Indeed, the authors of *The Appreciative Inquiry Summit*, James Ludema, Diana Whitney, Bernard Mohr, and Thomas Griffin (2003, p. 244) contend that appreciate organizations are at their best when they understand what contributes to social, environmental, and financial well-being. With the advent of social media platforms, appreciative inquiry can advance this understanding expeditiously and enhance prospects for the shared value conscious portrayed in Fig. 5.1. Because appreciative inquiry chooses cooperative dialogue over conflict whenever possible, it can be a means for continuously strengthening the symbiosis expressed in Realizations #1 and #2. As such, it is consistent with other-regarding systems thinking, which was given in Chap. 4 as necessary for an associative mindset.

### Continuing to Learn

Using Fig. 5.1 as a frame of reference, the *variety of value information* in the formal and informal organization can increase if the organization continually boundary spans for it. According to the rule of requisite variety from systems theory, an organization must be as complex as its environment to perceive the opportunities and challenges that a more singular mindset would overlook (Ashby, 1962; Weick, 1987). In terms of CSR discovery, an accretion of information about the diversity of stakeholder

expectations can help an organization adapt to its environment, but only if internal learning takes place (Pentland, 1995).<sup>4</sup> This learning is two-fold. First, there is *basic learning* that depends on a system's incorporation of information that deviates from operating norms. Basic learning denotes an ability to respond to feedback that is different from previously processed information (Weiner, 1961). To go beyond basic learning and *learn to learn* is to engage in *advanced learning* that requires that participants question the relevance of operating norms and assumptions (Argyris & Schon, 1974; Bateson, 1972; Pondy & Mitroff, 1979). Absent effective leadership, these norms and assumptions are difficult for employees to question (Schein, 2010). This difficulty can cause failures that harm society.

To illustrate, Andrew Savitz (2013, p. 256) gives the case of British Petroleum (BP) and its Deepwater Horizon oil rig explosion on April 20, 2010 in the Gulf of Mexico as an example of an organization's failure to learn. Eleven crew members died because of this accident and seventeen others were injured. The gigantic uncontrolled oil spill had horrific long-lasting impacts on a fragile ecosystem and the lives of thousands of people. According to Savitz:

Perhaps the most troubling aspect of the Deepwater Horizon accident is that BP had had many prior warnings about the root causes of the catastrophe—warnings that went unheeded. We refer here not to the technical issues that BP seemed eager to address but to the cultural problems that ultimately caused the accident. These cultural weaknesses had repeatedly been publicly identified and implicated in other BP mishaps during the prior decade. It seems clear what keeps happening at BP. The underlying assumptions and beliefs built into BP's culture—particularly among those running the rigs and the refineries—included the need to minimize costs and maximizing efficiency, no matter what it took, and these have not changed. (pp. 258–259)

To the extent that BP has addressed technical issues, it has attended to basic learning. Yet, critics doubt that BP can demonstrate advanced learning (see Winston, 2010). Years before the Deepwater Horizon accident in 2010, a 347-page report from a blue-ribbon panel had concluded that

the firm's prioritization of profit over safety contributed significantly to its refinery explosion in 2005 (Mufson, 2007). In terms of requisite variety and advanced learning, this report was an opportunity for BP to incorporate stakeholder expectations in decisions and question past operating norms and assumptions. However, the accident in 2010 suggested that no such learning had taken place (Savitz, 2013, p. 261). This recalls the dangers of dissociation described in Chap. 3, especially in terms of the harm that an inherently risky industry can cause for the social and natural environments. Although it is true that the extraction industry is risky by nature, BP's competitors faced the same kind of risk, yet had much better safety records during the time preceding the accident.

[F]rom 2000 to 2010, while BP's executives were proudly trumpeting the company's public commitment to sustainable values, BP was issued almost \$109 million in penalties by the U.S. Occupational Safety and Health Administration. During the same period, penalties levied against Exxon, Shell, ConocoPhillips, and Chevron ranged between \$171,000 and \$361,000—between 1 and 3 percent of the BP figure. (Savitz, 2013, pp. 261–262)

These facts point to the responsibility of the top executive to make it possible for an organization to learn (basic learning) and learn to learn (advanced learning). To that end, he or she will need to find ways to surface and handle value conflicts.

### **Surfacing and Reducing Value Conflicts**

As the BP example illustrates, the sustainability-related goal of safety can be undermined if efficiency and cost cutting take precedent. The executive who has imbibed the realizations of an associative mindset will find ways to surface and reduce such value conflicts so that responsibility goals can be served. Absent such leadership, hierarchy readily functions as a conduit for amoral decision making. Amoral decision making is an ever-present possibility because hierarchy reflects a rank-ordering of status and power among managers (Frederick, 1995; Zaleznik, 1970). Not surprisingly, managers on the lowest level of hierarchy are often the first to be



blamed for problems that come to light (Beenen & Pinto, 2009; Jackall, 1988) even though senior managers are more likely to break rules (NBES, 2013). This arrangement is ripe for amoral decision making, since managers on the lowest level report feeling the most pressure to compromise their personal values to conform to organizational expectations (Posner & Schmidt, 1984, p. 211). Robert Jackall (1988) sums up this situation by observing that it allows credit to be pushed to the highest level and blame to the lowest. Rank and file employees are at risk if they confront or report concerns, as the following findings from the National Business Ethics Survey (NBES) indicate:

More than one in five workers (21 percent) who reported misconduct said they suffered from retribution as a result, nearly identical to the 22 percent retaliation rate in NBES 2011. Retaliation has not always been so widespread: The rate was only 12 percent in 2007, the first time it was measured in NBES. Asked why they kept quiet about misconduct, more than one-third (34 percent) of those who declined to report said they feared payback from senior leadership. Thirty percent worried about retaliation from a supervisor, and 24 percent said their co-workers might react against them. (NBES, 2013)

Under these circumstances, employees' perceived lack of fairness can provoke strong emotional feelings of betrayal and psychological distress that give way to anger, resentment, and a sense of injustice or harm (Rousseau, 1989). Employee cohesion around values that serve socially responsible goals is unlikely when this occurs.

The discovery executive will attempt to prevent these dynamics by hiring and rewarding employees with constructive values and advanced moral reasoning. Another means for minimizing the problem of conflicting values is appreciative inquiry, mentioned earlier as a method of conversation that can increase cooperation among employees around a shared vision (see Ludema et al., 2003, p. 25). It is up to the executive to ensure that an unfair use of power does not get in the way of this vision. One tool at his or her disposal is a *value-conflict handler* who is empowered with formal authority and budgetary resources to surface and address conflicts before they escalate (see Swanson & Paul, 2002–2003).

Although this handler may work with the legal department or compliance officer, his or her responsibilities must go beyond mere compliance. Surfacing and reducing value conflicts means advocating for due processes for employees. Otherwise, they may withdraw their support for socially responsible goals. Ombudsmen or “ombuds” are best suited to advocate for due process, given that their charge is to be impartial and respect client confidentiality (Rowe, 1987). Although most ombuds report to a top officer, usually the chief executive, they do not take orders from the executive suite, a provision designed to help them maintain neutrality and advocate for fair processes instead of vested interests. For the ombuds to serve their intended purpose, employees should view them as independent and trustworthy (Hirschman, 2003). If not, employee concerns may not be heard until it is too late.

The associative executive understands that utilizing an ombudsperson can serve triple bottom line goals. The practice can benefit firms financially (McBride & Norman, 2011) while enabling employees to focus on social and environmental goals. That said, objectives may conflict, as when expediency in production threatens product safety (see Stickler, 2013). The discovery executive understands that such tradeoffs should be assessed in terms of the risks posed to the firm and all its stakeholders. *This assessment should not be delegated to any one department or unit because risks to total social responsibility cannot be decentralized* (Swanson, 2014). Even in organizations with flatter structures, employees may be reluctant to reveal unwelcome information out of fear of retaliation, ostracism, or uncertainty. The CSR executive understands this quandary and empowers the ombuds to investigate such matters and report them to the executive office, while employee confidentiality is safeguarded. In this way, the ombuds may counteract the propensity for hierarchy to limit value information and facilitate amorality. This is an essential aspect of discovery.

### **Finding Shared Value Synergies**

The above discussion recalls Realization #3, which is that the associative executive knows to pursue a balanced enactment of triple bottom line goals. This executive seeks goal optimization by directing his or her

managers to select projects that create triple bottom line synergies, i.e., projects that enhance at least two triple bottom line objectives. The point is to create an *optimal portfolio of CSR projects* that brings about *shared value* between business and society. Similarly, Michael Porter and Mark Kramer (2006, p. 89) describe strategic CSR as aimed at developing symbiotic, mutually reinforcing relationships between the success of the company and the success of the community. Specifically, they define strategic CSR in terms of (1) transforming value chain activities to benefit society while reinforcing strategy and (2) engaging in strategic philanthropy that leverages capabilities to improve salient areas of competition. An example of the first is that a firm can reduce excess packaging and therefore lower disposal costs to landfills (Porter & Kramer, 2011, p. 54). An example of the second is that a firm can invest in college education that improves the labor force from which it hires (Porter & Kramer, 2006, p. 89). These two approaches may also work in tandem. For instance, a firm that distributes produce to regional restaurants may lower acquisition and transportation costs by using employee volunteers to help preserve locally grown organic produce on family farms. Strategic CSR is consistent with the view that there is no tradeoff between environmental goals and economic competitiveness in the long run (Porter & van der Linde, 1995).

That said, some executives may rely on their firms' statement of social purpose to drive their operational thinking. Not that strategic thinking is unimportant to them; rather, a vision of social purpose may be uppermost in their minds. This is especially true for social entrepreneurs, many of whom view wealth creation as a means to social value creation and not the other way around (Carroll & Buchholtz, 2015, p. 131; Dees & Anderson, 2006, p. 45). The benefit corporation, chartered in 31 U.S. states as of this writing, was designed with such social entrepreneurs in mind ([Benefitcorp.net](http://Benefitcorp.net)). Because its charter does not privilege profit over social and environmental objectives, a benefit corporation commits to social responsibility from its inception. In this situation, a strategic evaluation of individual projects may not be as important as the firm's quest to enact and be associated with socially and environmentally responsible performance. The executives of these firms, whether they are officially chartered as benefit corporations or not, may perceive that this reputation takes precedence over screening individual projects for triple bottom line synergies in every case.

That said, this mission-focused approach may prove strategically sound in the long run, given that a reputation for socially responsible performance has been shown to be positively correlated with financial performance (Orlitzky, Schmidt, & Rynes, 2003) and inversely correlated with business risk (Orlitzky & Benjamin, 2001). These findings suggest that value synergies are inherent in the enactment of corporate social responsibility.

When the discovery executive directs the Office of External Affairs Management and other boundary-spanning units to disseminate information about these efforts widely, then *shared value consciousness* between the organization and its stakeholders is possible. The performance reports depicted in Fig. 5.1 play a role in this, as do the assessments upon which they are based.

### Ongoing Assessing and Reporting

According to Realization #5, the CSR executive will direct employees to learn continually about a firm's triple bottom line impacts and stakeholders' expectations and assessments of them. Two-way arrows in Fig. 5.1 indicate that employees are required to keep the executive apprised of this information. As this model of CSR discovery leadership illustrates, creating shared value consciousness also involves distributing the results of internal assessments of triple bottom line performance to all stakeholders through communication outlets, including social media platforms (Altin, 2015; Mohin, 2012). Although there is presently no universally accepted reporting protocol for corporate responsibility, the Global Reporting Initiative (GRI) is widely used for disclosing triple bottom line performance. Established in 1997, this initiative brought business executives, accountants, social and environmental activists, labor organizations, the United Nations Environmental Programme, and governments together around the goal of enhancing the comparability of triple bottom line reporting standards worldwide. There has been a continuous upward trend in GRI reporting ever since (Swanson & Orlitzky, 2018).

In fact, the number of businesses of all sizes that choose to self-assess how sustainable their operations are by using social and environmental standards and publicly disclosing the results has grown rapidly, especially

in Europe and Asia (Worldwatch Institute, 2016). A survey of 250 executives in 2013 speaks to this trend. Most of the respondents indicated that they expect environmental and social issues to have accelerated impact on their strategies, products and services, and operations in the near term, a finding that is consistent with the jump in *Standard & Poor's 500* companies that issued sustainability reports from 19 percent in 2010 to 53 percent in 2011 (Park & Koehler, 2013). In terms of symbiosis, associative executives will perceive that external assurance or third party verification of such reports can be an important means for building stakeholder trust in their firms' triple bottom line efforts.

The symbiotic thinking necessary for an associative mindset is also consistent with cross-sector partnerships among executives who seek to assess and report responsibility goals. For example, in 2016 the [Environmental Protection Agency \(EPA\)](#) and the U.S. Department of Agriculture announced the first 15 members of the first-ever national food waste reduction goal pledge—the U. S. Food Loss and Waste 2030 Champions. Each Champion agreed to mark a baseline measurement for food loss within their operations and report on food waste reduction progress, with the aim to halve the amount of food waste produced by 2030. The EPA has directed each of the 15 Champions to use the Food Loss and Waste Protocol that was collaboratively developed for reporting on food waste in supply chains (EPA; [edie.net, b](#)). This arrangement can be seen as an example of what Sandra Waddock (2009, p. 77) calls *leading corporate citizens* or companies that recognize the importance of forming alliances to advance responsible corporate social performance.

## Restorative Benefits of CSR Discovery

The quest for corporate social responsibility requires that the executive and organization align in a constant mode of value discovery. Given the power vested at the top of organizations, the executive's mindset is key to opening the organizational mind to this quest. The sense of symbiosis required for it recalls Peter Senge's (1990) assertion that learning organizations are

...organizations where people continually expand their capacity to create the results they truly desire, where new and expansive patterns of thinking are nurtured, where collective aspiration is set free, and where people are continually learning to see the whole together. (p. 3)

This expansive thinking is a far cry from the *iron cage of dissociation*, described in Chap. 3 as separation consciousness that compartmentalizes subjects to the extent that the web of life and network of relationships cannot be perceived (see also Waddock, 2009, pp. 18–19). Whereas dissociative organizations cannot learn about their host environment, associative organizations can. Whereas dissociative organizations fuel social alienation, associative organizations foster social cohesion based on an understanding of shared values. Whereas dissociative organizations will neglect or harm society, associative organizations can provide life sustaining triple bottom line impacts. It is up to the associative executive to bring about this potential and restore a sense of unity that was once more pronounced in human consciousness to the business and society relationship. It is instructive to recall the words of John William H. Sullivan (1949) on this point:

*[T]he activities we most value are those that do the most to increase our awareness of ourselves, of our fellow creatures, and of the material universe we live in.* (p. 175)

The executive who has realized an associative mindset and is able to apply it to practice has the potential to become a CSR discovery leader. This goes to one of the planks in this book's 3S approach to CSR leadership: the discovery leader can help create *shared value consciousness* between business and society.

## Discovery as a Means-Ends Continuum

According to William C. Frederick (1995, p. 16) 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.

In this vein, this chapter has described a business organization as a continuum of values that can be directed toward community well-being. It follows that the associative executive understands the relative importance of values that serve triple bottom line goals and seeks to embed them in the organization's culture. At the same time, the associative executive does not view these goals as immutably fixed. Not that a determination of outcomes at a point in time is unimportant, as when organizations assess and report on their triple bottom line performance. Such assessments can be useful benchmarks for practice. However, the discovery executive must necessarily focus on the *processes* that render the organization capable of continuing to function as a tool for community well-being. According to Fig. 5.1, these processes are replete with value considerations, which accords with the understanding that values represent ongoing relationships in the continuity of human experience. That this approach to theory building resembles some aspects of scientific inquiry is the subject of Chap. 6.

## Notes

1. Flattening hierarchy is not without its challenges. It can speed communication of vital information, but it also requires that more employees be skilled communicators (Guffey, Rhodes, & Rogin, 2009). Pushing authority to lower levels also means that employees must handle more responsibility (see Ghiselli & Johnson, 1970) and perhaps more perceived role ambiguity (Chonko, 1982). The empirical evidence on flattening hierarchy suggests that it is not for all circumstances. Although decentralized structures have been associated with higher levels of employee motivation, need satisfaction, and empowerment (see Porter & Siegel, 2006), more rapid responses to the environment (Burns & Stalker, 1961), and entrepreneurial behaviors in firms in emerging industries (Covin & Slevin, 1990), research also suggests that centralized bureaucratic structures are more efficient in stable environments (Sine, Mitsuhashi, & Kirsch, 2006) and for firms in mature industries (Covin & Slevin, 1990). A decision to flatten hierarchy to achieve value expansion would have to take these circumstances into account.

2. Participants who take Milton Rokeach's (1973) value survey are tasked with ranking instrumental values in order of importance for reaching their terminal values or desirable end states (an example of the latter being a comfortable life). The CSR discovery model (Fig. 5.1) is not predicated on such individual rankings or end states. Instead, it portrays organizational values as instrumental in reaching the end-goal of social responsibility. It is up to the discovery executive to activate the personally-held values that serve this goal, no matter how individuals rank them in their private lives.
3. CEO James Burke had lobbied the Federal Bureau of Investigation (FBI) and the Food and Drug Administration (FDA) to agree to a recall early in the crisis when both agencies had counseled against it. These agencies believed that a recall would cause more public anxiety than it would relieve (Moore, 1982, 2012).
4. Brian Pentland (1995, p. 2) has criticized research on organizational learning as fragmented and too dependent on using organizational learning as a metaphor. Pentland asserts that the lack of a systems approach to organizational learning is due in part to a lack of attention to the phenomenon in question, which he describes as "the socially constructed, distributed, and embedded nature of knowledge, and the processes through which it changes." Figure 5.1 represents an attempt to address this deficiency by showing how processes of knowledge acquisition can affect corporate social performance.

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# 6

## Science, Values, and CSR Discovery Leadership

This book's 3S approach to CSR discovery leadership features values as the common denominator in explaining how *society*, *science*, and *shared consciousness* pertain to business. This chapter explores some attributes common to scientific inquiry on the one hand, and the model of CSR discovery leadership on the other. The point is not to draw strict parallels. Nor is an exhaustive analysis claimed where it concerns scientific inquiry. Rather, the aim is to delineate how some aspects of scientific inquiry and the values that support it resemble the theoretical construction of CSR discovery leadership and its continuity with business and society research.<sup>1</sup> The more these affinities are recognized, the more CSR leadership can be understood as a professional calling that breaks ranks with the separation consciousness promoted by standard economic theory. The legitimacy of this calling can be bolstered by recognizing that both the practice of science and corporate social responsibility are defined by constructive values, that both require holistic systems thinking, and that both involve pragmatic reasoning that can serve social betterment. The arc of cross-disciplinary scholarship in the business and society field suggests that research on corporate social responsibility will continue along these lines.

## The Influence of Science on Mechanical Thinking

Before describing some similarities between CSR discovery leadership and scientific investigation, it is timely to revisit the problem that prompted this book. Introduced in Chap. 1, the dilemma is that human consciousness was altered profoundly by a sense of separation that accompanied the Scientific Revolution. The upshot of this development is that the modern mind in the West settled on the habit of dissociating subjects from objects, self from others, facts from values, means from ends, and humans from nature. Due to this proclivity, most humans no longer have a sense of participating consciousness based on a holistic rapport with the world. This is a stark contrast to the mindset of the Middle Ages that perceived continuity with its environment. The most well-known expression of this dissociation is René Descartes' work that strictly separates mind from matter. According to Morris Berman (1981, pp. 34, 42), the impact of the Cartesian corpus was to advance a way of knowing based on breaking subject matter into its smallest components, a reductionism befitting the idea that the world operates like a machine (see Buchholz, 2012, p. 6).

Sir Isaac Newton's work validated this mechanistic thinking because it relied on mathematical laws to explain motion and matter in an atomistic universe. Newtonian physics profoundly influenced classical economic theory and the formulation of standard economics drawn from it that predicts that markets driven by atomistic self-interest will move toward equilibria prices and output according to the "laws" of demand and supply (Chap. 3; see also Diemer & Guillemin, 2011). The mechanical nature of utility (self-interested satisfaction) that was used to construct this theory is evident from its hypothesis that desirable social outcomes will tend to occur automatically under conditions of free markets. This is the logic conveyed by Adam Smith's popular metaphor of the invisible hand. A sense of artificial separation of self from others was spun from this reasoning: individuals were no longer portrayed as embedded in moral communities that shape their own collective meaning (Etzioni, 1988). Instead, amoral, unfettered, freestanding self-interest was elevated in theory. Moreover, due to its focus on detached individualism, this mechanical view downplays the complex nature of social systems.



Morris Berman (1981) summarizes the perception of reductionism that was brought about by the Scientific Revolution:

[It] is necessary to note that in the course of the seventeenth century Western Europe hammered out of a new way of perceiving reality. The most important change was the shift from quality to quantity, from “why” to “how.” The universe, once seen as alive, possessing its own goals and purposes, is now a collection of inert matter, hurrying around endlessly and meaninglessly, as Alfred North Whitehead put it. The acid test of existence is quantifiability, and there are no more basic realities in any object than the parts into which it can be broken down. (pp. 45–46)

Although the logic of neoclassical or standard economics reflects this shift, especially by its abundant reliance on quantification, it does not exactly portray economic actors as “inert matter hurrying around endlessly and meaninglessly.” Rather, this economic theory, needing a behavioral basis, cast freestanding economic actors as propelled by myopic self-interest or utility. The meaning ascribed to this motivation is that it drives the economic system to gravitate toward the equilibrium outcome of the greatest good. Therefore, although standard economic theory is reductionistic, it is also deterministic in a Newtonian manner (see Hetherington, 1983). In other words, it relies on *mechanical determinism*.

According to the sections that follow, CSR discovery leadership is based on business and society research that rejects the separation consciousness that goes with mechanical thinking. It does so by blending what Berman calls “the why” and “the how.” But first, the importance of discarding mechanical thinking in science and CSR theory building.

## Science and CSR Discovery: Theory Building Beyond Mechanical Thinking

The habit of mechanical determinism has been challenged by an alternative view that dispenses with the reductionism of static theories. This has occurred as new scientific understandings have come to light, including those in biology, astrophysics, subatomic physics, complexity sciences, chaos theory, and cosmology (Buchholz, 2012; Frederick, 2012;

Waddock, 2009). Suffice to say, these developments dispute the belief that the world can be known simply by breaking it into discrete parts. As a result, the nature of theory building in science, social science, and management fields has been called into question (Frederick, 1998). Whereas classical science treats the world as a closed system that is predictable, newer understandings of science do not. Instead, they stress that knowledge must grapple with indeterminacy and probability. Interestingly, even the separation of scientists from their own experiments has been cast in doubt, given the finding in quantum physics that the observer can affect that which is observed and, therefore, the outcome of an experiment (Buchholz, 2012, p. 16).

Due to these developments, the meaning assigned to theories themselves has come under scrutiny. Many now take theories in science to be working models or idealizations that should not be treated as definitive (Burian & Trout, 1995). According to this view, models can serve theory building if they are dynamic, not static. The idea that a model is a preliminary step toward theoretical understanding is similar to the notion of a *developmental model*, a term introduced by Jarrett Leplin (1980) who explains how useful this kind of model was in the development of early quantum theory (see also Frigg & Hartmann, 2016). Similarly, Stephan Hartmann (1995) uses the example of physics to propound three theses:

**Thesis #1:** Physics is not some ready-made thing but a dynamic process.

**Thesis #2:** This dynamic process is exhibited in the continuous endeavor of theory construction.

**Thesis #3:** As a major tool for theory construction, scientists use models. (p. 49)

Hartmann goes on to say that

Theories seldom satisfy all the strong criteria that philosophers of science sometimes demand, they describe some parts of the world satisfactorily and fail to cover others. Thus, theory construction is a good example of the process-like character of physics. This is **Thesis #2**. (p. 50)

This perspective represents a scientific process of discovery that is *self-aware* of its limitations to grasp all aspects of inquiry. Scientists in this camp treat theory building as open-ended and dynamic. By doing so, they reject mechanical determinism. As articulated by John Dewey, they reject a *quest for certainty* in favor of a *quest for knowledge* (Rosenthal, 1987, p. 109). The model of CSR discovery leadership (Fig. 5.1) follows suit. As an *ideal-type*,<sup>2</sup> it is a developmental method of theory construction that can incorporate new findings, which is consistent with Hartmann and Leplin's views. In terms of Hartmann's three theses, CSR discovery leadership is process-oriented and open ended enough to allow for continuous theory building. At the same time, it is not so open ended that it loses sight of the field's mission to find and develop a constructive business and society relationship. In keeping with this mission, the model of CSR discovery leadership flatly rejects the amorality emblematic of separation conscious that divides values (the normative) from facts (the descriptive). Partitioning these realms handicaps the intellect by placing important issues beyond the reach of human reasoning. More pointedly, theory building based on such amorality would be unable to address the mission of business and society inquiry. In order to avoid the pitfalls of separation, the CSR discovery model substitutes holistic thinking for mechanical determinism and takes the business and society relationship to be symbiotic and rife with normative considerations.

Given these theory-building attributes, the CSR model can be used as a roadmap for investigating the dynamic nature of the values at stake in the social contract between business and society that was described in Chap. 2. As a roadmap for investigation, the CSR model comports with the perspective represented by [Thesis #1](#) by showing that socially responsible leadership is a dynamic process by which the top executive can direct his or her firm to enact constructive values aimed at responsible outcomes. Chapter 4 emphasized that this executive-type must think *associatively* and *normatively*. In the first case, the CSR executive must necessarily realize that business firms are evolving, open systems that have symbiotic relationships with society. In the second case, the CSR executive must realize that the ultimate values at stake in these relationships are triple bottom line outcomes that are determined largely by the firm's

internal value dynamics. William C. Frederick (2012, p. 244) puts these realizations in perspective. Building on insights from non-mechanical sciences, he holds that firms that pursue these outcomes are following a strategy of adaptive economizing-ecologizing. We will return to the importance of such holistic thinking in the next section.

## Theoretical Discovery in Science and Corporate Social Responsibility

As indicated above, the CSR discovery model is dynamic, process-oriented, and open-ended. This approach to theory building is especially appropriate in a field shaped by cross-fertilized ideas that have not coalesced into a settled theory or paradigm.

### Cross-fertilization of Ideas

The model of CSR discovery draws from six or so decades of business and society research. The nature of this research was covered in Chap. 2 in terms of the CSR1, CSR2, CSR3, and CSR4 phases of inquiry identified by William C. Frederick (1987, 2008). The scholars engaged in this this research harken from economics, anthropology, sociology, applied ethics, normative philosophy, political science, law, psychology, religious studies, strategy, and organizational science. The field started out as eclectic and remains so to this day. *Decidedly, this diversity is a strength.* For where there is progress in understanding the nature of something, it comes for the most part piecemeal and across a broad front, typically involving cross-disciplinary and cross-theoretical work over several scientific generations (Burian & Trout, 1995). Indeed, the exploration of a new area is often set into motion by a process of scientific migration (Holton, 1962), which is how the business and society field was established. When scientists migrate from one field to another, they bring new tools and ideas from their former fields, which are a source of innovation to new problems (Kantorovich, 1993, p. 197; Mulkay, 1972).

*Under these circumstances, mechanical determinism is unlikely because scholars are engaging in puzzle solving instead of exhibiting fealty to settled paradigms.*

In this regard, scientific puzzle solving and business and society inquiry resemble each other, with the model of CSR discovery leadership reflecting the likeness. The puzzle solving that marks the business and society field is akin to what Thomas Kuhn (1970) calls the pre-paradigm stage, which occurs when the dominant explanation of a subject is challenged. Covered next, the business and society field from its inception challenged the dominance of the economic paradigm and its presumption that narrow self-interest leads to the greatest good.

## **Puzzle Solving in the Pre-paradigm Stage**

Stephan Hartmann (1995) emphasizes that scientists who are inventive use the logic of discovery and that models that serve this way of thinking must be open-ended. Otherwise, models can become self-fulfilling, especially in the social sciences where they can be accepted as true because they modify the behavioral reality that they purport to explain (Ferraro, Pfeffer, & Sutton, 2005, p. 8). This recalls the finding in quantum physics that the scientist injects subjectivity into the so-called objective experiment. The neoclassical economic paradigm has functioned in this way. It assumes narrow self-interest and then finds it to be the dominant explanation in its theory of choice and the conclusions drawn from it. It does not find that positive duty—the affirmative willingness to provide positive benefits to others—can motivate choice because it is not looking for it. Or, as Jutta Schickore (2014) puts it, only the mind prepared to see things will actually notice them. By linking unfettered self-interest in markets to the greatest good, the economic paradigm sidelines the negative externalities that can accrue (such as environmental pollution), leaving them for public policy, the law, and social pressure to address instead of treating them as problems that the business sector should try to prevent. Moreover, the need for such prevention is minimized by the paradigm's reliance on the market to self-correct in the long run, which signifies its mechanical determinism.

Not surprisingly, a theory that has no role for positive duty will leave negative externalities either for the market or public policy to rectify in lieu of examining conditions under which business managers will *want* to do better with their considerable tools and knowledge. The irony is that standard economics claims to be value-neutral (Myrdal, 1969), but its logic is not. Instead, it smacks of *amorality* or outright *immorality* because it provides an excuse for business to neglect or hurt society. This rationalized abdication keeps a robust understanding of corporate responsibility from taking hold in the public's consciousness. In the idiom of CSR discovery leadership, it deters a sense of shared value consciousness between business and society from developing. The opportunity costs to society are significant. Figure 3.2 illustrated the detrimental impacts of executive decision making based on the dissociation of standard economics. Mountain top removal was given to illustrate the predicament. Quite simply, this destructive practice would not be allowed if social and ecological well-being were valued as much as corporate profits. The free to choose mentality that is invoked to defend such dissociation was embedded in standard economic theory long ago. Yet, it never took hold in the business and society field, given its normative mission. *This alone marked the field as pre-paradigmatic from the start.* Instead of sidelining negative externalities, as the economic paradigm does, the field's scholars made them *central* to their analysis and, in the process, amassed volumes of studies on corporate wrongdoing. This was done to understand conditions under which negative externalities result from organizational failures.

For the most part, standard economic theory does not offer such analysis. Because its research is market-based, it tends to treat organizations as "black boxes" (Demsetz, 1983).<sup>3</sup> In contrast, the model of CSR discovery is constructed so that corporate impacts, including negative externalities, can be traced to organizational decision processes. Hence, this model does not merely relegate negative corporate impacts to the law and public policy after the damage has been done. Nor does the model accept economic determinism that predicts that markets will correct for such damage in an undefined long run. In keeping with business and society research, the CSR discovery model privileges puzzle solving by inviting a scrutiny of decision processes and their results in a timely manner. In sum, the problem of negative externalities that is peripheral to the

economic paradigm is central to the business and society field. The latter cannot accept that narrow self-interest automatically leads to the greatest good when the scale of negative externalities can destroy whole communities and, given interdependencies, cause downstream effects that make matters worse.

This brings to mind Thomas Kuhn's (1970, p. 37) observation that a challenge to an existing paradigm can occur when a recognized anomaly resists assimilation into it or the paradigm insulates the scientific community from socially important problems that are not reducible to the puzzle form. Kuhn goes on to say that this insulation occurs when the problem cannot be stated in terms of the conceptual and instrumental tools that the paradigm supplies. This is the case for the economic paradigm—it does not have the conceptual and instrumental tools to solve the problem of negative externalities, which is why it relegates them to the law or public policy. In contrast, business and society research sees negative externalities as problems that managers should resolve with the knowledge and tools at their disposal. This recalls another of Kuhn's assertions, which is that a move to normal science (scientific consensus) from the pre-paradigm stage must be sufficiently open ended to leave all sorts of problems to be solved. The model of CSR discovery is designed to function in this way. It allows for organizational decisions to be examined in terms of triple bottom line results so that conditions that promote beneficial impacts and deter negative ones can be integral to analysis. It is a model designed for problem solving.

In addition to giving due consideration to solving the problem of negative externalities, the CSR discovery model is formulated to redress the marginalization of positive duty in the business and society field. According to previous analysis (Chaps. 2 and 4), this marginalization is a remnant of dissociation that entered the field vis-à-vis standard economics. Because the business and society field treats negative externalities as a management problem, instead of a market dilemma, it stresses that managers should avoid causing harm. If they do not, then the law, public policy, and public pressure will intervene. Hence, although the field does not sideline negative externalities, it does invoke the economic paradigm's fallback remedies of social control. The upshot of this state of affairs, and an ironic one at that, is that by emphasizing social control or negative

duty, the field has assigned positive duty—an affirmative willingness for business to provide positive benefits to society—a lesser role (Swanson, 1995, 2014). Again, Thomas Kuhn's (1970, p. 39) understanding of the pre-paradigm stage of scientific inquiry is instructive. He holds that scientists have not solved a problem if there is some residual vagueness embedded in their theories in use. Although the business and society field has long cast narrow self-interest in doubt, it has treated positive duty to others as a residual in its classifications of research topics (Chap. 2). The CSR discovery model amends this problem by accommodating a fundamental role for it in organizational decision processes aimed at responsible triple bottom line performance, starting with an executive associative mindset that incorporates it.

*Science as discovery* means that when pieces of a research puzzle do not fit together, when they do not make sense, a new theoretical map is needed. As laid out in Chap. 2, business and society scholars have been working for decades on a map to replace standard economics. The model of CSR discovery leadership represents a continuation of that effort.

## Toward Holistic Systems Thinking

The reductionism that gained prominence in modern science, especially with the advent of classical physics, is a study of parts that masks the meaning of the whole (Buchholz, 2012, p. 11). The result is fragmented understanding. According to John William Navin Sullivan (1949, p. 49), one of the great stages in the evolution of scientific thought was reached when the Newtonian explanation of the universe was found to be insufficient. However, the Newtonian economic paradigm is still highly influential. The main challenge to it in management circles has come from business and society research. The CSR discovery model continues this challenge by positioning theory building to be open-ended. That way, it can incorporate the interactive effects and emergent properties of living systems that mechanistic determinism cannot (see Buchholz, 2012, p. 17). In other words, the CSR discovery model, like much of the business and society research it builds upon, is acclimated to holistic, systems thinking.



As background, holistic thinking appeared simultaneously in several fields during the first half of the twentieth century, pioneered by biologists who saw living organisms as integrated wholes (Capra, 1996). This development followed in the footsteps of the Darwinian revolution that demonstrated the continuity of the human species with all other species (Ayres, 1944, p. 327; Frederick, 2012, pp. 49–52). As a result, more scientists saw the need to comprehend interdependencies in systems rather than to follow the reductionism in Western science (Waddock, 2009, p. 19). Business and society research reflected this development during its CSR2 phase when Lee Preston and James Post (1975) advanced a model that takes business and society to be interpenetrating, mutually adaptive systems (see Chap. 2). The complex nature of this system was elaborated upon during CSR3 when W. C. Frederick (1995) put forth his theory of business values and later when Sandra Waddock (2009) described their interrelated spheres of influence in terms of corporate citizenship.

The associative mindset (Chap. 4) incorporates such thinking on the individual level by describing executive decision making that perceives symbiosis instead of separation and stasis. Correspondingly, this associative mindset has the potential to understand that an organization is more than the sum of its parts, a concept that holism expresses as the *emergent property principle* (see Miller, 2010). To further confound reductionism and its Cartesian separation of mind and matter, Gregory Bateson (1972) asserts that the complex interactions between living and nonliving systems are far too difficult for the human mind to grasp completely. The dilemma is that humans are too immersed in these interactions to be capable of a totally accurate view. Even so, the human mind is capable of recognizing patterns in its environment (Bateson, 1979) and discriminating among them (Swanson, 2000).

Consistent with these understandings, the CSR discovery model shows that the executive should keep organizational goals in mind while recognizing and tracking decision patterns, results, and feedback, as illustrated in Fig. 5.1. This way of thinking is necessary because cause and effect are not strictly linear in systems that are open to their environments, a reality that flies in the face of mechanical thinking. Hence, executives cannot assign certainty to results, which is another break with the determinism in Newtonian Western science (see Prigogine, 1996, p. 5). Consequently,

the CSR discovery executive needs to consider the *probable* effects of decisions and keep an open mind regarding adjustments. This flexibility is important because a change in one part of a system will affect another (Senge, 1990), which is why the necessity of continuous learning was stressed in Chap. 5. Such discernment is possible if the executive realizes an associative mindset and rejects the myopia of dissociation. By extension, the CSR model in Chap. 5 demonstrated that the control orientation consistent with mechanistic thinking (described as a schizoid dynamic in Chap. 3) must be discarded in favor of a discovery mindset that can grasp holism. Otherwise, trying to control complexities that cannot be fully understood is dangerous. Gregory Bateson (1972) spoke to this danger when he asserted that humans who do not recognize their limited knowledge may destroy the very environment on which they depend.

Given the power and resources vested in business organizations, and the stakes for society, Fig. 5.1 pointed to the need for executives to proceed with caution. Prudence is especially important in systems with complex technologies, where trial and error learning is not available because errors cannot be contained. According to Karl Weick (1987), accidents in such systems occur

because the humans who operate and manage complex systems are themselves not sufficiently complex to sense and anticipate the problems generated by those systems. If the issue of accidents is posed this way, then there should be fewer accidents when there is a better match between system complexity and human complexity. (p. 112)

Weick looks to the value premises and shared understandings that can be embedded in organizational culture as means to combat this problem of “requisite variety” and transform the culture into a more reliable control for safety. The model of CSR discovery underscores that the executive’s ability to handle complexity is paramount to creating such a culture. Given that accidents in risky systems cause some of the most extensive negative externalities (Perrow, 1993), this line of research challenges the economic paradigm’s reliance on market dynamics to bring about the greatest good.

As can be seen, the acceptance of holism interjects more experimentation into CSR leadership theory. It means that the executive must track patterns of cause and effect carefully and adjust plans accordingly. This is not unlike John Dewey's understanding of the structure of knowledge, including scientific knowledge, which Sandra Rosenthal (1987, p. 109) summarizes as linked to pragmatic considerations gained by the method of experimentation. Here a caveat is in order. Although the CSR model resembles scientific inquiry in some ways, it is not science per se. After all, corporate social responsibility is not a controlled experiment. That said, the model of CSR discovery (Fig. 5.1) bears affinity to science that has gone beyond mechanical thinking. It points to leadership capable of discernment under conditions of holism, which requires a shift in mindset from separation consciousness to unity consciousness, or from dissociation to association, as outlined in Chaps. 3 and 4, respectively. At the same time, the CSR model casts this discernment in terms of theoretical pragmatism, which is true to John Dewey's (1939) view that the world becomes knowable only by experiencing it. This perspective countermands the belief that the world is knowable only by distancing ourselves from it, a hallmark of separation consciousness.

Although separation consciousness became pervasive in the West after the Scientific Revolution, many have challenged it. John Dewey is among the dissenters, given his theoretical pragmatism. More on that next.

## Theoretical Pragmatism in Science and Corporate Social Responsibility

Stephan Hartmann (1995) asserts that theoretical physicists must have a pragmatic attitude that can speak to its practitioners. Marvin Farber (1970, pp. 5–6) adds that scientific inquiry in general is pragmatic, if it can address human needs and offer theories that speak to them. Likewise, given its subject matter, corporate social responsibility theory building must be pragmatic, starting with a means-ends perspective that speaks both to practice and human needs.

## Conceptualizing a Means-Ends Perspective that Speaks to Practice

The CSR discovery organization was conceptualized in Chap. 5 as a means-ends continuum for creating an optimal portfolio of projects geared to positive social, environmental, and economic outcomes. These outcomes are the three macro values that the business executive must strive for in order to fulfill the terms of the social contract laid out earlier. According to the CSR model, the pivotal role of the executive is to *discover* the best *means* in the formal and informal culture to use towards these *ends*, which requires that he or she continuously appraise and reappraise decisions with the help of boundary spanners in external affairs management and elsewhere. This process, depicted in Fig. 5.1, is akin to John Dewey's (1939) theory of *valuation*. Don Howard (2003) recounts Dewey's pragmatic approach to the role of cognition in science:

[S]cience does not aim simply for true pictures of an external reality bereft of value. Instead, all valuation is something intrinsic to experiencing and to the nature of which that experiencing is part, inasmuch as the ongoing selection of ends is part of experiencing as action. Science, as organized intelligence, is thus an instrument both for relating means to ends and for selecting those ends in the first place. Moreover, valuation as the selection of ends is as much an integral part of the doing of science as it is of any action. One of many consequences of this integration of value in experience as part of nature is that there can be no distinction between judgements of fact and judgments of value... (p. 52)

Howard continues by pointing out that, for Dewey (1920, 1929, 1938), science is an instrument for determining what is good and bad in the way of acceptance and rejection and to the extent that knowledge and experience are something social, the ends selected will be social ends. The model of CSR discovery leadership is similar in its theoretical pragmatism. It depicts the responsible executive as understanding that business organizations are institutional *tools* for producing positive social, environmental, and economic outcomes (Chap. 2). These are the *ends* that the CSR discovery executive selects, knowing that he or she must find

the most suitable *means* for enacting them. This process recalls Thomas Kuhn's (1970) observation that those who engage in normal science must use the best means or methods for drawing conclusions and solving problems. Similarly, the perspective on socially responsible leadership in Fig. 5.1 entails the kind of *tool use mentality* found in "the how" of scientific discovery (see Ayres, 1944, p. 107). This mentality of "the how" must be joined with "the why" for theory building to transcend the amorality of separation consciousness. This goes to Dewey's assertion, given above, that there can be no distinction between judgments of facts and judgments of values. To be sure, he argued against all such dissociations by rejecting the subject/object dualism in epistemology, the human/environment dualism in metaphysics, and the self/society dualism in social and political theory (see Dewey, 1922).

Business and society research has been moving away from these dualisms for decades, as it's joining of *the why* and *the how* demonstrates. An important advantage of this melding is that the field is able to address the corporate power-seeking that diminishes corporate social responsibility, a conclusion drawn from the discussion that follows.

## Joining *the Why* and *the How*

To recap, the dissociation that partitions ends from means and values from facts also separates *the why* from *the how*. This stubborn habit of thought has been an impediment to reasoning that can deal with human affairs soundly and coherently. The longitudinal analysis of corporate social responsibility research (Chap. 2) demonstrated that the business and society field has avoided this impediment. The *why* of this research is most evident in its CSR1 and CSR3 phases of investigation, during which the nature of the social contract between business and society and the ethical principles and values at stake were elaborated. In other words, these two phases of CSR research addressed the normative question of *why* corporate social responsibility is important. In contrast to the obligatory tones of CSR1 and CSR3, William C. Frederick (1987, 2008) shows that the second phase of business and society research, CSR2, represents a more descriptive, action-oriented, and *how to* outlook. It does so by

emphasizing the practical organizational mechanisms and behavioral patterns that allow managers to anticipate and respond to the legitimate concerns of groups with multiple interests their firms (Ackerman & Bauer, 1976; Sethi, 1975). The idea that managers should be responsive to many groups was a precursor to the stakeholder model of the firm, described earlier, that identifies *to whom* firms are responsible.

Again, theoretical pragmatism involves blending means and ends with assessments of facts and values. Taken as a whole, CSR research in the business and society field is theoretically pragmatic in this way. As such, it has avoided a fatal pitfall. For, if the field had focused only on the descriptive (how to) means of responsiveness, then its CSR2 logic would have been circular and amoral. That is, corporations could be deemed responsible if they selectively respond to stakeholders with the most influence or clout. Corporations could also be deemed responsible if they narrowly meet the expectations of public policy makers and government regulators, both considered to be stakeholders. The problem is that corporations can affect the public policies and regulations that apply to them by lobbying, making political campaign contributions, and engaging in other forms of political advocacy. Elsewhere (Swanson, 1999), I have argued that such exclusive reliance on CSR2 creates an “inversion problem:”

The inversion problem means that responsibility as social control can be defined by vested interests instead of by values that serve the broader social good. Responsiveness involves very effective means (e.g., lobbying) by which business organizations can shape and influence the law, public policy, and ethical expectations. Hence, what constitutes social control can be shaped by a variety of special-interest groups (Frederick, 1986; Weidenbaum, 1977). Obviously, it does not serve the mission of the business and society field for responsibility to be defined by shifting political aims. (p. 510)

The inversion problem has been avoided in business and society research because CSR1 and CSR3 research provide a normative touchstone for CSR2 responsiveness. In other words, corporations must be held to the ethical principles and values embodied in the social contract and, therefore, cannot be deemed responsible if they merely abide by the social controls that they help create while satisfying a few influential stakeholders.

This speaks to *the why* of corporate social responsibility—it is a quest for the social good, broadly construed. Without this touchstone, corporations can be judged responsible if they simply serve privileged, vested interests, which is not an outcome associated with the greatest good under the terms of the social contract described in Chap. 2.

By rejecting the notion that theory can be value-free, the business and society field has rejected amoral theory building that legitimizes unexamined power prerogatives. This has occurred because the field parted company with the economic paradigm that purports to be value free. In this vein, the integrative model of corporate social performance (Fig. 2.1), upon which the CSR discovery model (Fig. 5.1) is based, shows that the executive's repudiation of power seeking in favor of economizing and ecologizing is fundamental to responsible corporate social performance. As a model for theory building, it aims responsiveness at normative purposes that are broadly inclusive instead of selectively determined by the clout of power. Because the business and society field has avoided the fallacy of value-free analysis by stressing *the why* of responsibility, it is positioned to address the deleterious effects of corporate power seeking as few other management fields can.

## Recognizing Value Purposes and Shared Values

The focus on values in the CSR discovery model is a departure from long-standing reductionism that has attempted to exclude values from scientific inquiry. This exclusion has come under attack by those who see the fact-value dichotomy as unnecessary and unproductive. Notably, developments in the philosophy of science over the past decades have challenged the assumption that science can or should be value neutral (Kurtines, Alvarez, & Azmitia, 1990, p. 283; see also Howard, 1985; Kuhn, 1970). Consider this statement by Martin Farber (1970) that scientific inquiry should produce models of thought concerned with human value purposes:

They [models] are to be treated as hypothetical systems, with bearing upon the facts and problems of conduct. The choice of a value system will then

depend on its usefulness in enabling us to set up organized programs of conduct for the fulfillment of human interests, and for the realization of well-defined ideals. The ultimate ideal is the greatest possible degree of fulfillment of interests of all the people, on a world-scale. (p. 11)

This understanding of science is comparable to the social contract ideal that business should serve human flourishing. Accordingly, neither science nor corporate social responsibility is value neutral. Their ends are value-defined.

Not only are their ends value-defined but, consistent with theoretical pragmatism, many of the values necessary for *conducting* science and corporate social responsibility are the same. According to Chap. 5, the *constructive individual values* that executives should leverage to facilitate corporate social responsibility (as triple bottom line outcomes) include *broadmindedness, capability, honesty, imagination, independence, and intellect*. Science requires the same values of its practitioners (see Bronowski, 1975). Chapter 5 also listed some *constructive organizational values* that executives should operationalize to expedite socially responsible outcomes. These include *communication, innovation, cooperation, teamwork, learning, transparency, and, trust*. These organizational values are constructive in the scientific community as well, especially the public *communication* of results that allow scientists to replicate each other's experiments in order to support or reject hypotheses and methods of experimentation (Howard, 1985, p. 48). This *transparent* vetting helps build *cooperation* and *trust* among them. Similarly, according to Fig. 5.1, the CSR discovery executive will obtain third party assessments of organizational outcomes and make them *transparently* available to the public by issuing CSR reports. That way, *learning* to correct for deficiencies and *cooperating* with stakeholders to build their *trust* becomes possible.

Clearly, *accuracy* and *truth seeking* are values common to scientific inquiry and CSR discovery, as is the prospect of *progress* in fulfilling human interests.<sup>4</sup> *Consensus* is also valued because, for both enterprises, a community of others will ultimately support or reject outcomes and the methods that produced them. In the process, *tolerance* for differing



viewpoints is called for, weighted by the understanding that the *legitimacy* of these two enterprises depends on convincing their constituents that it is deserved. In the case of business, the CSR leader will typically face a more pluralistic community of interests, which makes the science-enabling values of *respect* and *cooperation* paramount (see Buchholz, 2009, p. 137).

As a framework for theory development, the CSR model of leadership incorporates many of the pragmatic values that are necessary for scientific discovery. Although it is beyond the scope of this chapter to address the role of technology, the values and means-ends reasoning common to CSR discovery organizations and scientific exploration make both arenas fertile ground for the development of new inventions and technologies (see Ayres, 1944, p. 212), many of which will continue to expand the potential for corporate social responsibility (see Frederick, 1995).

## Shared Value Consciousness Revisited

Previous chapters established the potential for shared value consciousness between business and society. This chapter has touched on yet another aspect of shared value consciousness, which is that businesses and their stakeholders should be aware of the values common to socially responsible leadership and scientific investigation. This awareness can put socially responsible corporate leadership on par with a professional calling that requires holistic, values-informed systems thinking. Society should expect no less.

Although this book rejects the separation consciousness that became ubiquitous after the Scientific Revolution, it does not reject the values that make contemporary scientific investigation possible and the cross-fertilization of ideas and tool use mentality that go with it. The CSR discovery executive must necessarily imbibe such values-informed pragmatism and the aspiration that business, like science, can be used to improve the human condition. Whether it can requires discarding any pretense that it is value free.

## The Path Forward

Because the model of CSR discovery leadership is process-oriented and open-ended, it can accommodate additional research. Chapter 7 identifies some areas for further investigation and their implications for practice, public policy, and business education.

## Notes

1. For a more extended analysis of science and business, see William C. Frederick (1995, 1998, 2012) and Rogene Buchholz (2012).
2. A definition of an ideal type was given in Chap. 3. It is a model of pure logic that can be used as a point of reference for theory development that links logical implications across levels of analysis. In the case of CSR discovery leadership, implications are drawn across the individual, organizational, and societal levels of analysis.
3. There is a body of literature that posits that organizations are formed because they internalize some of the costs that would be incurred by relying on markets. Ronald Coase's (1937) work is seminal in this regard, followed by research in modern organizational economics, especially that by Oliver E. Williamson (1981). To the extent that negative externalities are handled in this research, they are treated mostly as a limitation that better-defined property rights could address or as breakdowns in exchange relations or contracts.
4. For a discussion of science as a truth-seeking activity, see Jacob Bronowski (1975, pp. 51–53) and William Kurtines, Mildred Alvarez, and Margerita Azmita (1990, pp. 284–285).

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# 7

## CSR Discovery Horizons

This book has examined the executive mindset as a driver of corporate social performance. Specifically, it has made the case that the CSR discovery leader is in a good position to enact positive triple bottom line performance and, in the process, garner social and professional legitimacy. Nevertheless, it is important to remember that CSR discovery leadership is an ideal type. Stipulated earlier, an ideal type is a model of pure logic that can be used as a point of reference for further theory development. Since ideal typing can be used to link logical implications across individual, organizational, and societal levels of analysis, it was used in Chap. 3 to examine the ramifications of absolute executive dissociation for organizations and society. This examination demonstrated that this type of separation consciousness will inevitably cause organizations to neglect or harm society. Consistent with Proposition #1, given as a frame to this book in Chap. 1, dissociative executives will be incapable of directing their organizations to create shared awareness with their stakeholders of the values that support corporate responsibility. Instead, the dissociative organizations they oversee will become unresponsive to society's expectations of corporate responsibility, including the presumption of sound economic performance. In the vernacular, pure dissociation is a dead end for corporate social responsibility.

Against this backdrop, this book has called for business leadership that can transform dissociative organizations into associative decision processes aimed at serving society. This is a tall order that suggests areas in need of further development. This chapter identifies a few such areas as implications for management research and practice, public policy, and business education. But first, CSR discovery is summarized as a form of enlightened leadership.<sup>1</sup>

## Enlightened Leadership for *Higher Profits*

Morris Berman (1981) speaks to the need to remedy the separation consciousness that has defined much of Western culture:

Systems that are reduced in complexity lose options, become unstable and vulnerable. Flexibility in personality types and world views provides, instead, possibilities for change, evolution, and real survival. (p. 263)

This statement recalls that dissociative organizations have limited options because they cannot process stakeholder information. As a result, they become less complex than their environments, a fatal vulnerability driven by an executive mindset that separates self from others, subjects from objects, facts from values, means from ends, and humans from nature. As stated in Chap. 1, this mindset may be in decline, and Chap. 4 proposed an associative worldview to take its place. The ideal-type model in Chap. 5 illustrated that executives who realize this worldview have the potential to become a CSR leader who can discover how to enact positive triple bottom line impacts. According to Proposition #2, also given as a frame to this book in Chap. 1, this type of enlightened executive can create shared awareness between a firm and its stakeholders of the values that support responsible business performance. Research suggests that these firms may enjoy reputational benefits.

In fact, there is a growing consensus among academics that a good reputation for social and environmental performance among stakeholders will likely result in or contribute to a firm's positive financial performance (Fombrun, 1996; Mahon, 2002; Orlitzky, Schmidt, & Rynes,



2003; Porter & Kramer, 2006) and reduce business risk (Orlitzky & Benjamin, 2001). These prospects substantiate the need for external affairs specialists to respect stakeholders and engage them in relationships based on trust and transparency (see Frederick, 2012). Indeed, John Browne (2016) reports that a company's ability to engage stakeholders in this way is worth more than 20% in superior stock performance over the course of a decade (see also Orlitzky & Swanson, 2012). It appears that more and more shareholders are aware that companies that deliver responsible social and environmental performance also reap financial advantages (Benefitcorp.net; Swanson & Orlitzky, 2018). Given these developments, it is not surprising that business and society research has been characterized by a convergence of financial and social objectives since its CSR3 phase of scholarship in the 1990s (Carroll, 2008; see also Swanson & Orlitzky, 2018). CSR discovery leadership is a theoretical perspective on how executives can practice this convergence.

As with any emancipation project, research that aims to explain how business leadership can serve society must offer a theoretically coherent perspective on "the self" (see Feldman, 2000, p. 630; see also Alvesson & Willmot, 1992). Essentially, this book has proposed replacing the misguided notion of the dissociative self with an associative mindset that perceives holistic continuity between self and others, subjects and objects, facts and values, means and ends, and humans and nature. According to Proposition #2, executives who possess such unity consciousness will have the wherewithal to transform the business and society relationship for the good, which recalls Ivan D. Illich's (1979) assertion that:

So persuasive is the power of the institutions we have created that they shape not only our preferences, but actually our sense of possibilities. (p. 160)

The point of previous chapters was to argue that CSR discovery leaders can meet the terms of the social contract by generating possibilities for triple bottom line performance that elude dissociative executives and their organizations. Michaela Driver (2012) interviewed Michael Porter, a well-known business strategist, to ascertain the need for such leadership:

As Porter describes it, CEOs are grappling with the meaningfulness of their enterprises not just as a temporary response to a crisis of legitimacy of capitalism, but as a permanent shift toward the pursuit of higher profits, that is, profits that also produce positive social change, and financial markets that reward companies for doing just that. (p. 422)

This book has argued that CEOs capable of bringing about this shift to the pursuit of *higher profits* will discard the dissociation parlayed by standard economic theory and strive to become associatively-minded CSR discovery leaders. In other words, they will discard separation consciousness in favor of unity consciousness. This is the type of enlightened business leadership needed in the twenty-first century.

## Some Implications for Research, Practice, and Public Policy

Although dissociation and association are pure constructs that do not represent specific executives or organizations, they can be used as benchmarks for analyzing actual business cases (Swanson, 1999, 2014).<sup>2</sup> They were used as such in Chaps. 3 and 5, in the first case to hypothesize that a culture of dissociation created by Enron's top executive led to that firm's demise and, in the second case, to posit that a culture of association led by Johnson & Johnson's senior executive prompted that firm's voluntary product recall. Furthermore, although the ideal types of dissociation and association do not constitute full-fledged theory, they can help define research parameters by serving as reference points on opposite ends of a continuum of corporate social responsibility. They can function as book ends, if you will, for encouraging research on organizational dynamics that can facilitate responsible corporate social performance. However, noted earlier, the end of the continuum that denotes the greatest magnitude of positive performance should not be viewed as fixed or determinate. After all, the associative organization is capable of discovering new opportunities to be socially responsible that the dissociative organization cannot fathom. For this reason, this book does not argue for a settled theory or rigid paradigm of CSR leadership. Rather, it takes the view of

scientific inquiry based on theoretical pragmatism that was described in Chap. 6. This approach favors the formulation of theoretical maps from process-oriented research that can accommodate new questions and findings from diverse perspectives. CSR discovery leadership (Fig. 5.1) is such a map.

In terms of accommodating new questions and findings, the distance between dissociation and association on the continuum described above suggests areas in need of further investigation. Said differently, if the assumption of pure dissociation or pure association is relaxed, then a host of research questions come into focus. For instance, can executives dissociate on some issues and not others? What explains the inconsistency (see Limin, Boehe, Orlitzky, & Swanson, 2016)? Moreover, if executives are mildly dissociative, can they be influenced to become more associative vis-à-vis corporate governance policies? The CSR discovery model (Fig. 5.1) suggests that boards of directors should screen prospective executives for association in the first place. Given the model's emphasis on the values that support corporate social responsibility, it follows that boards would want to assess the personally-held values of executive candidates. Although this book has identified some personally-held values that are congruent with association, more research is needed. For example, one preliminary study suggests that executive receptivity to other-regarding values, such as those pertaining to higher stages of moral reasoning, is positively correlated with the personality factor *agreeableness* (Orlitzky, Swanson, & Quartermaine, 2006), with agreeableness denoting the inclination to be cooperative, friendly, altruistic, tender-minded, and trusting (see Goldberg, 1993). Although values have not traditionally been the focus of leadership research, scholarly interest in how leadership is related to values has increased in the first two decades of the twenty first century (Lord & Brown, 2004, p. 117). It would therefore be timely to study the relationships between personally held values, moral reasoning, and personality factors with the goal of developing survey instruments that can help boards screen candidates for CSR discovery leadership.

The bottom line is that boards that want to hire CSR leaders will need to evaluate candidates for their ability to be other-regarding. Otherwise, they risk hiring executives who will not grasp the necessity of directing external affairs specialists and other boundary spanners to develop

constructive relationships with stakeholders. Given the financial gains that can accrue to firms that build and maintain such relationships, boards would be well advised to hire executives who can demonstrate the sense of positive duty that goes along with the associative mindset. Chap. 2 described positive duty as the willingness to provide stakeholders with benefits based on respect for their moral personhood. This book has argued that CSR theory and practice cannot marginalize positive duty. Rather, it must be integral to executive decision making aimed at social responsibility, especially since most employees look outside themselves to significant others for ethical guidance (Kohlberg, 1969; Treviño, 1986). That workplace leaders should be a central source of such guidance (Brown, Treviño, & Harrison, 2005, p. 117) is an essential principle of CSR discovery leadership. If boards want this kind of enlightened leadership, they will need to hire for it. One method for doing so is to administer a survey instrument that can tap it. Scholars can assist in developing such an instrument by investigating the relationship between personally-held values, moral reasoning, and personality factors.

Boards seeking triple bottom line performance should also assess a candidate's track record in attaining firm profitability and beneficial social and environmental outcomes. Various rankings, ratings, and benchmarking reports that track such performance should be considered, including those published by CSRHUB ([www.csrhub.com](http://www.csrhub.com)), Reputation Institute ([www.reputationinstitute.com/about](http://www.reputationinstitute.com/about)) and MSCI ESG ([www.msci.com/esg-ratings](http://www.msci.com/esg-ratings)). The board nominating committee should use these and other such reports to evaluate a candidate's record and the compensation committee should structure pay incentives that reward positive triple bottom line performance going forward. These efforts could, in turn, inform best practices for hiring CSR leaders, perhaps by creating a gold standard. Other questions for corporate governance research and practice include: How can board members themselves be screened for associative thinking? How can board committees be structured to promote it?

Turning to other organizational levels, it is important to understand how middle and lower managers can affect association in executive decision making. Research on *issues selling* suggests that middle managers can exert influence on top managers' decisions if senior managers are open minded and receptive (Chacko, 1988; Pursey & Heugens, 2005; Schilit

& Locke, 1982), a mindset befitting association. However, factors such as issues framing, issues bundling, and whether middle managers act collectively or individually can also make a difference (Dutton & Ashford, 1993). Research that sheds light on how middle and lower managers can encourage or obstruct association is important, and this book's top down approach to corporate responsibility has not fully explored their roles. That said, the top executive can influence the hiring of managers and other employees for association. This brings the Office of Human Resource Management into focus. Besides hiring for other-regarding ethics, future research should explore how human resource management specialists can screen employee applicants for unique *value proficiencies* that serve CSR goals, some of which were proposed earlier. For example, screening techniques should capture whether candidates for accounting and finance positions can be adept at *transparency* and *compliance* and whether candidates for engineering positions can be proficient at achieving *safety*, *innovation*, and *quality*. External affairs specialists should be screened for possessing values that help build relationships. The discovery executive should ensure that such value proficiencies are reflected in performance evaluations, with the goal of rewarding and retaining employees who master them. This comports with Andrew Savitz's (2013, p. 132) recommendation that organizations intent on triple bottom line outcomes implement performance appraisal systems that help bring them about. Future research should investigate the full range of values needed for various triple bottom line roles and refine methods of screening and appraising employees accordingly. By extension, the discovery leader should strive to hire human resource management specialists for the kind of *broadmindedness* that allows them to comprehend their organizations as interrelated CSR decision processes that require specific employee value proficiencies.

Another area ripe for research is the benefit corporation, a recent U.S. public policy innovation that is attracting global attention. Introduced earlier, the benefit corporation, presently chartered in 31 U.S. states, is a legal structure for social entrepreneurs who want to enact triple bottom line goals for multiple stakeholders. The premise behind the legislation that created the benefit corporate charter, first passed in Maryland in 2010, is that organizations can pursue these goals simultaneously (Field, 2013).

As a result, the benefit charter permits companies to join the profit motive with the purpose of making a positive impact on society and the environment, which is similar to Michael Porter's aforementioned concept of higher profits (Driver, 2012). The upshot is that benefit corporations cannot be held liable by courts for failing to place profits above all else. Indeed, under the law, these corporations are legally required to consider the broad impacts of a particular course of action (Raskin, 2011). This goes to the importance of meeting a plurality of stakeholder value expectations, which is germane to the model of CSR discovery leadership. Research should seek to understand how CEOs of benefit corporations balance their responsibilities to various stakeholders. This recalls realization #2 in Chap. 4 that associative executives need to formulate balanced or *optimal* responses to stakeholder expectations of triple bottom line performance. The relatively new benefit corporation may provide clues to how this balance is achieved when profit is placed on par with environmental and social performance.

Research should also investigate whether benefit corporations cause the public to expect more triple bottom line performance from the business sector. If so, then a new frontier for shared value consciousness may be in the making. Because benefit corporations are designed to report on their social and environmental performance by using recognized third-party standards<sup>3</sup> (Alcorn & Alcorn, 2012), the likelihood that they can create and maintain shared value consciousness may be bolstered by stakeholders' trust in these reporting protocols. Future research should investigate this possibility of trust accretion. Additionally, these third party reports produce data that may be used to compare benefit corporations to non-benefit corporations on triple bottom line metrics. These are just a few research opportunities that benefit corporations may accommodate.

Another consideration in the realm of public policy is that CSR discovery leadership does not preclude value tradeoffs, especially for non-benefit corporations. For instance, what does the associative executive do when shareholders' desire for more profit seems to be at odds with the cost of retooling production for consumer or employee safety? Theoretically speaking, associative executives realize that they need to optimize triple bottom line performance which, in some cases, may mean trading some

profit for additional safety. And because associative executives have a sense of positive duty, they will want to protect the well-being of consumers and employees. But, as the case of Johnson & Johnson in Chap. 5 illustrated, the cost of safety may overwhelm profitability, at least in the short run. Arguably, the associative executive will have an easier task if public policy simply privileges social and environmental well-being in such cases, which is why the benefit corporation may be an ideal vehicle for CSR discovery leadership. At any rate, dissociative executives and their organizations will need such public policy mandates. Hence, the model of CSR discovery leadership does not rule out a role for government regulation, although it may reduce the need for it among responsible firms (see Swanson, 2014). Scholars, especially those in business and society and related fields, should continue to investigate guidelines for government regulation.

Since these guidelines will depend on the nature of the industry and its products or services, public policy should be aligned with the theoretical pragmatism given in Chap. 6. That is, public policy should be a dynamic process of discovery in its own right and, as such, should be somewhat open-ended and flexible. For example, if some executives in specific industries collectively lead CSR best practices, then public policy should be designed to encourage a *virtuous cycle of CSR innovations* among them. This could entail finding ways to reward the innovators while penalizing the laggards (Swanson, 2000). That said, a public that becomes accustomed to more corporate social responsibility may punish deviant firms or pressure them to comply with the higher standards. In this way, enlightened CSR leadership may influence social control of business for the better.

## The Need for Enlightened Business Education

Business education does not prepare students for CSR leadership. With notable exceptions, business schools lag public expectations of corporate responsibility (see Giacalone & Thompson, 2006; Swanson & Fisher, 2012). The explanation for this failure is straightforward: long ago these schools adopted amoral economics and its separation of business from society. They have not expunged this myopia from their degree programs,

especially since their accrediting agency, the Association to Advance Collegiate Schools of Business (AACSB), does not require them to do so (Swanson, 2004; Swanson & Fisher, 2011). A comprehensive study in 2012 confirmed the entrenched nature of this problem. Even after the outbreak of devastating corporate scandals and financial crises in the first part of this century, the tepid response from business schools has been to tinker around the edges of curriculum change (Damast, 2012).<sup>4</sup> Nevertheless, the trends discussed in Chap. 1 could force real reforms at some point, especially given the groundswell of triple bottom line innovations in the business sector, including the advent of the benefit corporation and the exponential growth in the number of social entrepreneurs that helped bring it about (Pless, 2012). To ignore these developments, or to give them less attention than they deserve, risks irrelevance, especially since there has been a jump in the number of MBA students who believe that a primary responsibility for firms is to create value in the communities in which they operate (Aspen Institute, 2008).

Michael Porter believes that business education should speak to this responsibility, as documented in his interview with Michaela Driver (2012):

Porter is calling for a radical transformation in which business school curricula teach shared value creation across the entire value chain of a business and include the study of deeper human needs as well as broader public policy. (p. 422)

The implications are obvious. Each course in the curriculum related to primary and secondary areas of the value chain should be redesigned to focus on how they relate to triple bottom line performance. Primary activities in the value chain are inbound logistics, operations, outbound logistics, marketing and sales, and service. Secondary activities are procurement, technology, human resource management, and infrastructure, the latter including accounting, legal, finance, planning, public affairs, government relations, quality assurance and general management (Porter, 1985). This book has emphasized how public affairs and human resource management can bring about socially responsible performance. However, business coursework should cover the entire range of socially responsible



value chain activities, as Michael Porter suggests. No student should graduate without understanding how their area of specialization can support corporate social responsibility.

The guiding question in each case should be: how can this area serve society in general and a firm's stakeholders in particular? A course in enlightened CSR leadership should be foundational in anchoring this question to a social contract view of business and society. The perspective offered in this book suggests that the curriculum should also include complementary coursework in corporate culture, critical thinking (especially its role in scientific inquiry), value theory, and business ethics.

## The Stakes Going Forward

This book has offered a 3S approach to CSR leadership that builds on foundational business and society research. This research long ago broke ranks with separation consciousness by envisioning a symbiotic relationship between business and *society*. This scholarship opened the door to the prospect that shared value consciousness could define this relationship for the good. Said differently, it pointed to the possibility of a unified field of *shared value consciousness*. The type of inquiry that best informs this prospect is the theoretical pragmatism used in contemporary *scientific* investigation. Hence, this book's subtitle *Society, Science, and Shared Value Consciousness*.

The stakes for understanding a socially constructive role for business are high. As Morris Berman (1981, p. 23) puts it, some kind of holistic or participating consciousness will have to emerge if we are to survive as a species. Enlightened leadership from the business sector, which is what CSR discovery represents, will be key to this transformation.

## Notes

1. Parts of this chapter are informed by my chapter in *Radical Thoughts on Ethical Leadership* (Swanson, 2017).

2. Using ideal types for comparative analysis, i.e., to ascertain similarities and deviations from actual cases, is consistent with Max Weber's (1947) use of this method (see also Coser, 1977).
3. The B Lab is the nonprofit that certifies benefit corporations and offers them a free reporting tool to meet the statutory transparency requirement (Benefitcorp.net).
4. Although most business schools have made little or no change to their core curriculum, some younger schools outside the U.S. are making significant modifications (Damast, 2012).

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