

**Corporate Social Responsibility: The Intersection of Facts,
Beliefs and Values**

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Abstract

This research explores the social phenomenon of Corporate Social Responsibility (CSR). Recent high profile scandals have raised the profile of Corporate Social Responsibility and as a result organisations now spend significant time and resources attempting to manage it. The importance of CSR is well evidenced in this research however what CSR actually is and what constitutes successful CSR is a much more difficult question for employees to answer. Even the term CSR is problematic and lacks agreed definition. This thesis shows that this leads to uncertainty and it examines the ways that organisational members interpret the subject, so that it means something to employees and stakeholders, and it further demonstrates the factors underpinning a successful programme. Clear gaps exist in the perceptions of senior management, line managers and front line employees as to what CSR means or what its benefits might be, indeed some question if the subject is an area that organisations should be involved in at all. The only thing that there seems any agreement over is that Corporate Social Irresponsibility is probably bad for the organisation, bad for society and bad for the stakeholders.

This thesis contributes to the sociology of knowledge in a number of interrelated ways, and it is the nexus of these interrelationships that develops the distinctive contribution. The thesis examines the way that a number of organisations operationalize the construct of CSR to create shared value for the communities that they serve. It analyses the evolution of the definitions in use by the organisations and how employees create a shared understanding of the value that is added by CSR. Importantly the research provides a framework for understanding the impact the CSR can have within an organisation and provides a management tool to categorize CSR activities and then allows managers to identify ways of using CSR in a more strategic way. The thesis employs a case study approach to three organisations that are constituted in different ways and are of different sizes. These organisations have been chosen as they reflect the differing structures

that represent the full range of incorporated businesses with the exception of the niche area of incorporated partnerships. All three believe that values are an important element of their business model and organisational culture. It considers the impact of structure and constitution, and investigates the different approaches of a large local Co-operative, a specialist hybrid Co-operative and the standard investor owned firm (IOF) model of CSR. It draws conclusions as to similarities and differences between the models and identifies core drivers of success in CSR for the organisations, as interpreted by employees. The approach follows the method outlined in Hingley (2010) and Stake (1995) and can be seen as typical cases of this type (Yin 2003). The use of multiple cases give a richness of detail by allowing input from the widest cross section of staff by interviewing over 150 staff of varying positions and from the widest possible ranges of business units and regions until saturation of categories was reached. The cases are built using Grounded Theory (GT) – a method that gives a significantly more validity to the process than a simple case approach and mitigates many of the weaknesses identified in the Case Study method. For example the topic of sense making is an important element of the thesis as is the process of symbolic interactionism. These require a depth of analysis and rigour in their investigation that GT gives but that case study is unlikely to uncover

Unlike much research in this field that examines the reputational benefit of CSR the thesis examines the definition of CSR viewed from an organisational perspective. It adds to the body of knowledge regarding ways that employees make sense of the construct and their perceptions of benefits of CSR. It examines the impact of structure and constitution of organisations and contributes to our understanding of how this impacts on the behaviours and culture of organisations – a central tenet of CSR. The importance of alignment between espoused and enacted values is demonstrated as is the role of leadership in creating the conditions for a culture that ensures values are the key driver of CSR. The research examines the factors perceived by staff to impact the credibility of CSR and makes a methodological contribution by using Grounded Theory to

build case studies by applying the rigorous coding processes to the development of the frameworks that the cases are based on. Finally the research makes a significant practitioner contribution by introducing the CSR matrix – the tool by which managers can categorise their activities and identify the organisational capabilities that can be leveraged to create shared value.

Chapter 1: Introduction

1.1 Overview

The subject of Corporate Social Responsibility (CSR) has become a key contemporary strategic issue for business with ethics and practices being questioned following a perceived increase in corporate scandals (Kiron, 2012). Corporate malfeasance seen at Enron and Worldcom (unethical and fraudulent accounting practices), breach of regulations by RBS and Barclays (fixing LIBOR rates) and environmental contamination by BP (Deepwater Horizon incident) have all contributed to the perception of corporate irresponsibility (Christofi et al, 2012). The Banking Crisis of 2008 showed the impact that irresponsibility short of fraud can have and more recently the Bangladesh factory fire of 2012 and the Rana Plaza Collapse of 2013 (Economist, 2013), which cost the lives of over 1100 people, raised questions of the wider responsibilities that organisations have to their supply chain. These events have combined to make CSR one of the imperatives for businesses operating in highly competitive global and national markets (Angelidis et al, 2008; Wedes, 2013). The number of organisations focusing on CSR has increased as they recognise it as a means of creating substantial benefits of social legitimacy, stakeholder perceptions, consumer behaviour and securing long-term brand and economic value (Maignan & Ferrell, 2001; Lamberti & Lettieri, 2009; Lindgreen et. al., 2012; Rahardjo et al., 2013). As executives shifted from the view that the maximisation of financial return to shareholders is an organisation's only responsibility, many recognise that CSR and superior performance can be aligned (Kolstad, 2007). Indeed, several high profile organisations have successfully invested significant resources in developing their brand and corporate profile by association with CSR and sustainable development including household names such as Ben & Jerry's, Fairtrade, IKEA, Marks & Spencer and Nestle (Porter & Kramer, 2006; Gouldson & Sullivan, 2007; Lindgreen et al., 2012).

The idea of CSR is not new and has been recognised in society since the 19th Century through such people as the Rochdale Pioneers and their impact on the cooperative movement, Lever Brothers and their development of Port Sunlight, Titus Salt and his founding of Saltaire and the Cadbury family and their Bourneville project (Burchell, 2008). The theoretical beginnings might be traced back even further to the 18th Century and Adam Smith (Smith, 1977, 1776) with his notion of the invisible hand – suggesting a correlation (albeit involuntary) between organisational self-interest and societal interest.

There is a wealth of information on CSR, however much of it appears to consist of subjective comment in business magazines or company reports. There is a lack of a universally accepted theoretical framework, no standardised set of measures or language with terms such as sustainability, CSR and Corporate Citizenship being used interchangeably. CSR is one of the most challenging topics of discussion for scholars and executives (Nijof and Brujin, 2008), and this has doubtless underpinned its becoming a business priority that has grown in importance as the 2012 Sloan Management Review survey of business identified

‘...moreover, 68% say their organization’s commitment to sustainability has increased in the past year (in 2009 just 25% of companies said this was the case), and an even larger proportion say they plan to increase their commitment to sustainability’ (Kiron et al, 2012 P 71)

As a concept, Corporate Social Responsibility (CSR) is a construct that is based on the assumption that businesses have obligations over and above merely making a profit. It has been variously defined as ‘the contribution a company makes to society through its core business activities, its social investment and philanthropy programmes, and its engagement in public policy’ (WEF, 2004) ‘. the obligations of the firm to society or, more specifically, the firm’s stakeholders’ (Smith, 2003).

According to the European Commission CSR is ‘...a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis’ (European Commission 2002) This definition was updated in 2011 to the more simplistic ‘the responsibility of enterprises for their impacts on society’ (European Commission 2011). As will be seen in section 2.1, there is no singular and clear definition of exactly what CSR is (Dahlsrud 2008) and this being the case, there are obvious questions as to how any consensus might be reached regarding its definition, its meaning to employees, its benefit to organisations or how organisations might implement some form of CSR to benefit both themselves and the wider community. Further, this lack of clarity impacts ways that the phenomenon of CRS be investigated – what options are available for its study and how might credible conclusions be drawn as to its meaning and focus?

1.2 Research Objectives and Questions

For many organisations and studies the focus of their CSR is to make a business case and this has led to the majority of the research being customer and brand focused (Hopkins 2003). This thesis takes a different approach and the objective of this research is to identify how meaning is constructed by employees of this complex construct and how a shared sense of meaning is arrived at. The research acknowledges that there can and should be a benefit to organisations in acting responsibly (Hopkins, 2003 Porter, 2006) over and above simply protecting their brand or reputation, and it seeks to identify what this might be from an organisational perspective rather than that of the customer. Additionally the impact of organisational structure is considered in order to ascertain whether the way that the organisation is constituted influences the propensity towards acting in a socially responsible way.

Within this context, the overall objective of this research is to investigate meaning and benefits of CSR. This objective will be supported and achieved by the interrogation of 4 research questions given below.

Research Question 1: What does CSR mean to staff within organisations?

Research Question 2: How is sense made of the construct?

Research Question 3: What are the benefits to the organisation?

Research Question 4: How does structure impact this?

The aim of the thesis is to make a theoretical contribution to the on-going academic perspectives and debate around the topic, to utilise a methodological approach that will enhance the validity of the findings and to make a functional contribution to the practitioner context, by giving insight into the ways that organisations might benefit from a strategic understanding of CSR.

1.3 Research Boundaries

As will be discussed in Chapter 3, a qualitative, inductive, approach was adopted (Strauss, 1998; Saunders, Lewis and Thornhill, 2012,). A variety of carefully selected methods were utilised to produce the rich data needed to establish similarities and, perhaps more importantly differences between key actors/organisations (Bryman and Bell, 2007; Gill and Johnson, 2010; Saunders, Lewis and Thornhill 2012). There are valid questions of generalizability inherent in a qualitative ideographic study however it is also noted that practical knowledge used by managers is contextually bound therefore for research to have theoretical value it should focus on these local practices (Easterby-Smith, Thorpe and

Jackson, 2012). With this in mind it was necessary to put boundaries around the research relative to organisations and focus to ensure that the local practices were not lost amid the more general organisational operations and activities. Organisations impact every part of our global society and globalization has seen this impact grow (Crane and Matten, 2010). This suggests that the topic is essentially boundless so clear boundaries have been set as to the study and will be discussed further in chapter 3 however essentially, whilst acknowledging the importance of the topic generally and its impact globally, the research is bounded by the cases chosen and the research questions which are aligned to the resource based view of the firm (Barney 1991; Teece 2009)

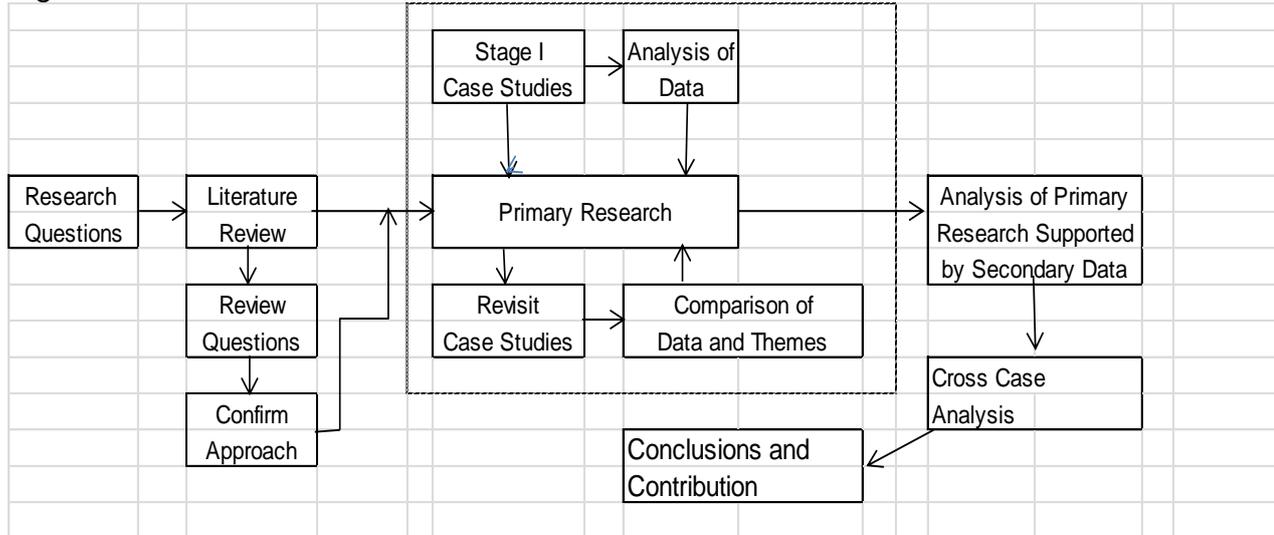
1.4 Research Methodology

The subject of methodology and method are dealt with explicitly and in detail in chapter 3, however as part of the introduction an overview is appropriate in this chapter. The process took the form of a longitudinal multiple case study (see Fig 3.5). Having obtained agreement to participate from the selected organisations the first stage involved a series of in depth interviews with a broad range of staff to begin the inductive process of data collection. The research adopts a constructionist methodology and uses Grounded Theory (GT) (Glasser and Strauss, 1967) to build the case studies. Grounded Theory is one of the most commonly used and rigorous methods of deriving theory from qualitative data (Partington, 1998; Curry, 2003). The use of grounded theory has mistakenly been taken to mean that no prior theoretical frameworks should influence the research nor should the researchers prior knowledge. This is to misunderstand grounded theory (Glasser and Strauss, 1967 p79). Suddarby (2006) suggest that substantive theory grounded in existing research in a specific subject area e.g. CSR should inform a GT approach to research and suggests that the only risk that the researcher must avoid when using prior knowledge gained through substantive research is the temptation towards hypothesis testing (Suddarby, 2006 p 635).

The aim of the first stage was to gain an initial data set to begin the process of constant comparison and to allow the coding process to begin. Over the next 6 years in what is classified as Stages 2 and 3 (although this is not to suggest that these stages were conducted in discrete single events) the organisations were returned to periodically and additional interviews took place which were designed to add to the richness of the data, allow the study of change and development (Saunders, Lewis and Thornhill 2012) and allowed the question of ‘has there been any change over a period of time?’ to be considered and answered (Bouma, 1995 p114). The process is outlined in figure 1.1

The use of case studies and in particular the credibility given by the multiple-case approach (Yin, 2014; Eisenhardt 1989) gave enhanced internal, external and construct validity (Gibbert et al 2008) and allowed for more robust and reliable conclusions to be drawn from the data. There were three organisations chosen however as will be seen in chapter 3 these three organisations can be seen as representative of a much wider cross section of structure and type. In keeping with the classic case study design (Yin, 2014) each organisation was first and foremost considered in isolation (as seen in chapters 4 - 6) but cross case comparison and codes generated from the cross comparison are fully considered in the cross-case analysis of Chapter 7.

Fig 1.1 The Research Process



1.5 Structure of the Thesis

This thesis consists of seven chapters detailed below. This introductory chapter gives a broad overview of the topic these chapters. Each chapter made an explicit and specific contribution to the research process shown in fig 1.1 above and will be outlined below.

Chapter 1: Introduction.

The first chapter sets the context of the research and introduces the topic. The core element of chapter 1 is the outline of the research objective and to explicitly state the Research Questions that will achieve the objectives. This is followed by a signposting of the structure of the remains of the thesis

Chapter 2: Literature Review

The second chapter considers a wide range of extant literature covering what Suddarby (2006) might define as the substantive theoretical frameworks. The literature review had two functions firstly it underpinned the preliminary ideas of what the main theme of the research would be (CSR) it then allowed the identification of gaps in the study of CSR – that

of sense making, the process of creating meaning and how this adds value in organisations. The literature review considers the evolution of the concept of CSR and its various definitions. It then considers the impact of CSR before looking at the internal processes that underpin it. There is a review of the key readings on sense making, including the process of Symbolic Interactionism. The fact that CSR is not universally accepted as being a relevant topic for businesses is acknowledged in a critical consideration of the topic. This critical consideration is not to suggest that irresponsible behaviour is acceptable in an organisational context instead it suggests that there are more appropriate institutions to ensure that both the environmental issues and a wide group of stakeholder needs are protected and best served.

Chapter 3. Methodology

Chapter three considers and justifies the methodological approach taken in the research, considers the methods employed in the study and explains why they were chosen over other competing methods and methodologies. Methodology is a unique mix of subjective and objective decisions. In choosing a methodology the values, beliefs and ontological perspective of the researcher inevitably influences the decisions made (Easterby-Smith, Thorpe and Jackson, 2012 p14). Within this context and in this instance, the subject under consideration has a significant impact on epistemology and in turn the options for methodology. CSR is a construct and further is a construct that exists at the intersection of facts, beliefs and values. This precludes a positivist ontology or epistemology as these would require an external objective reality. This meant that an inductive constructionist methodology was the only viable option for the study. The criticism of this approach is that it lacks generalizability (Saunders, Lewis and Thornhill 2012) so, as noted previously, to compensate for this a rigorous approach to analysis and data collection was identified as being important. Grounded Theory was chosen as, if applied rigorously, it gives a structured and systematic approach to analysis of qualitative data (Corbin and Strauss, 2008). Grounded theory

was developed by Glasser and Strauss (1967) however in the ensuing years there was a slight divergence between the approaches of both Glasser and Strauss. Strauss took a more pragmatic approach to the application of Grounded Theory that embraced the role of extant knowledge and substantive theory whilst giving a step by step approach to the application of GT (Partington 1998) and this approach was adopted. The ultimate aim of the use of grounded theory is to build the robust case studies contained in chapters 4, 5 and 6.

Chapter 4: Alliance Boots Case Study

The data gathered in Chapter 4 is presented and discussed in relation to the appropriate academic discourse. The case gives a broad history of Alliance Boots tracing its roots from the 19th century to date. The case tracks the evolution of the company from family business to Public Limited Company. It considers the impact of a leveraged management buy-out during 2007 when Alliance Boots became the first FTSE 100 company to be bought by a private equity firm who with the then (and as of April 2015, still) Chairman Stefano Pessano paid £12.4bn to take the company back into private ownership. This ownership model remained in place until Walgreens (a US Corporate operating in a similar market) took a 45% stake in 2012 with a view to full ownership and integration by 2015. At the time of writing, Walgreens have reaffirmed their intention to complete this transaction. The changes and the geographically dispersed nature of Alliance Boots meant that multiple case studies could be obtained from a single organisation (Yin, 2014 p 56) considering the impact of structure over a 7 year period and is detailed in chapter 4.

Chapter 5: Co-operative Bank

Despite its name the Co-operative bank was never a Co-operative in its true sense as it is not wholly owned by members. It is wholly owned by the Co-operative group, which is in turn owned by its members. This has

a significant impact on the decision making and governance of the bank as will be noted in Chapter 5. The bank was chosen because of its ethical approach to banking. Whilst the structure made it an atypical case (Yin, 2014) it was typical (Yin, 2014) of an organisation that was values based and that put CSR at the heart of its operation. The case study examines the developments of the ethical approach and allowed consideration of the impact that both the ethical approach and structure had on the culture and values of the organisation. The detailed case study examines the sense making structures and processes and the benefits gained by the bank. Towards the end of the research the now well documented problems with the bank began to unravel and the bank was at the centre of a series of scandals. Some of these were a factor of individual behaviour however some were structural and are examined in Chapter 5. The fact that the bank suddenly found itself at the centre of a scandal was clearly of some relevance to the study however as the thesis was not examining what made a business ethical but was focused on the sense making processes around CSR the ensuing problems did not impact the validity or reliability of the research

Chapter 6: Lincolnshire Co-operative Society (LCS)

In contrast to the two large businesses a smaller more local business was sought to allow a contrast to be drawn and to provide data from a different form of business to add to the data. The inclusion of LCS was determined initially by the decision matrix (see Chapter 3 table 3.2) and was selected as a final case as it was seen as a typical case of its kind (Yin 2014) although with enough unique properties to give a richness of data to the study and to contribute to the overall understanding of the subjects. Chapter 6 gives the detail of the case study build through the grounded theory process and analyses the data and themes that emerged.

Chapter 7 Conclusions and Contribution

The final chapter gives a cross analysis of the three individual cases and considers what the data tells us with regard to CSR, Sense making and

the benefits to organisations of adopting CSR as a strategic priority. The chapter concludes with suggestions for further research and brings the case studies up to date with the more recent development that came too late to be considered in the thesis.

1.6 Conclusion

This chapter has laid the foundations for the thesis. Consideration has been given to the research problem and the context that frames it. The rationale for the study has been outlined and the overall final research objective, supporting research questions and aims have been clarified. By way of introduction a short explanation of the final methodology adopted has been given. A schematic of the process was given and finally a description of the structure of the thesis was provided giving some insight into the content of each chapter. From this introduction it is clear that CSR is a topic that has increased in importance in recent years (Lee and Park 2009; Young and Thyil, 2009) and it is now considered to be a prevalent and important topic not only for research but it has become a mainstream issue for practitioners, managers, leaders and organisations (Kirof, 2012, Nijof and Brujin, 2008).

Chapter 2: Literature Review

2.1 Introduction

This chapter considers the extant body of literature concerning the development of CSR, the sense making process and will consider the impact of CSR and how it is measured. The chapter will then consider the related concepts of culture, leadership and will finish with the more critical consideration of CSR. The critical consideration will not be considered from a postmodernist paradigm rather the more mainstream view that perhaps CSR as a construct is flawed and whilst the Friedman version of CSR (discussed in section 2.1.2) is now seen as a somewhat dated perspective there are valid concerns around the ways that CSR is used by businesses and the fundamental validity of the ways that businesses engage with it.

The primacy of the profit maximization principle (Friedman 1970) has dominated the commercial sector for several decades not least because of legislation such as Dodge V Ford. 1919 (Macey 2008). This private sector imperative, whilst still central to the success of any business, is seen in many parts as too narrow a perspective as it does not reflect the fact that organisations are accountable to a wider range of stakeholders (Freeman 1984, Carroll 1979) with often competing and at times contradictory claims on the business. Dodge V Ford was a judgement by the Michigan State Supreme Court in 1919 against Henry Ford and the Ford Motor Company (FMC). Ford wanted to stop the payments of dividends to shareholders in order that he could invest it in the company for the purposes of creating more employment and developing affordable cars (Stout 2008, Sunderam 2004). The Dodge Brothers, as minority shareholders at the time, brought the law suit against FMC and Henry Ford alleging that his intention to benefit employees and customers was

at the expense of shareholders. The court ruled that the business corporation was organized primarily for the profit of stockholders (shareholders) and that the powers of directors should be employed to that end. This ruling, although almost 100 years old, is still influential in determining the fiduciary duties of directors (Macey 2008).

2.1.1 Defining CSR

A range of definitions have been suggested over the last hundred or more years that attempt to both define the construct and give purpose to it, for example *'to oversee the operation of an economic system that fulfils the expectation of the public and in turn the means of production should be employed in such a way that production and distribution might enhance total socio-economic welfare'* (Fredrick 1960 p60). The search for a generic definition continued through a range of broadly similar perspectives (Davies 1973; Fitch 1976) however the theme of treating the stakeholders of a firm in an ethical way (Hopkins 2003) is a common one. One of the more widely accepted definitions consists of the four principles of economic, legal, ethical and discretionary responsibilities (Carroll 1979) that businesses have to manage and this was then refined into Carroll's Pyramid (see fig 2.1) which gave a quasi-hierarchical view of the responsibilities. The general sense behind the pyramid was to establish the building blocks of CSR in a specific way suggesting that an organisation requires a sound financial base that can support the higher ideals of its responsibility whilst acknowledging the need to stay within the laws of the country of operation. This raises some interesting discussion around ethical relativism versus cultural imperialism and the underpinning moral philosophical guiding frameworks such as Kant's Categorical Imperative and Mills and Bentham's' Utilitarianism (Crane and Matten 2010) .

One issue that the original pyramid raised was an implied notion that financial stability is the most important of the pillars of CSR so perhaps reinforcing a perspective of CSR where the core responsibility of

business is to maximise its profits for the benefit of shareholders (Friedman 1970).

2.1.2 CSR: Concept Evolution

Notions about business' role in wider society and responsibility extending beyond the generation of profits for shareholders have existed since the Industrial Revolution and in fact its roots can be traced back to the concept of the Invisible Hand (Smith 1776). The modern version stems from the post second world war era (Bowen 1953) where CSR has evolved as a definitional construct fuelled by the onset of rapid globalisation (Carroll, 1999; Carroll & Shabana, 2010; De Bakker et al., 2005; Gjolberg, 2009a). Originally a North American concept driven by business actions extending beyond legal compliance, it has evolved into a globally recognised construct albeit one that evades precise definition (De Bakker et al., 2005; Gjolberg, 2009a).

Rapid growth in CSR since the 1990s has stimulated academic interest and debate on the subject. Research by Gjolberg (2009) identifies the importance of structural factors and the context specificity of CSR's development suggesting approaches to CSR are, in essence, not transferable between organisations. As a concept CSR is universally applicable but in practical terms its development at an organisational level is directly linked to external factors including the organisation's exposure to global markets and the institutional framework of individual nation states. Consequently, models of CSR and governance in global regions (Gjolberg, 2010; Saeed & Arshad, 2012) will differ and are not immediately replicable.

A prime detractor from the view that business had wider responsibilities was Milton Friedman. To Friedman (1970), the purpose of business was to maximise organisation profits while conforming to the basic rules of society. Friedman's polemic entitled 'The Social Responsibility of Business is to Increase Its Profits' (Friedman 1970) is still an important

and much quoted article. Friedman was an influential Nobel laureate economist who argued that CSR was a fundamentally subversive doctrine and suggested that the only social responsibility of business was to 'use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game' Friedman defined the rules of the game as 'engaging in open and free competition without deception or fraud' (Friedman 1970 p 36). At the root of Friedman's perspective lay a belief that the doctrine of social responsibility favoured political rather than market mechanisms to influence the allocation of society's scarce resources.

During the 1970s a period of academic debate ensued as commentators sought to clarify what it meant for an organisation to be socially responsible (Carroll, 1991). The research results led towards a focus on performance and a demonstration of CSR's economic benefits over and above what was required by law however the findings proved ambiguous and inconclusive. This created scepticism amongst those who had responsibility for the allocation of organisational resources (Carroll 1991) concerning the value of CSR to the organisations and to individual employees (Maignan & Ferrell, 2001). Consequently, emphasis shifted to the enlightened self-interest of organisations and establishment of licences to operate in a globalised economy; at the core of this phase of CSR's evolution is recognition that organisations pursue CSR because they see concrete business benefits from doing so and from establishing relationships between the organisation and its stakeholders (Maignan & Ferrell, 2001; Gjolberg, 2009).

Table 2.1 charts the evolution of CSR as a concept and as a framework for business decision-making. It reflects the shift towards focus on external environmental factors and stakeholders in corporate decision-making while demonstrating the integration of competitive advantage and economic performance recognising the prime importance of profit postulated by Friedman (1970).

| Period | Development phase and focus |
|-------------|--|
| Pre-WWII | Focus on profit maximisation and trusteeship management |
| 1945-1950s | Alignment of business interests with defence of free market capitalism and threat of Soviet Communism at outset of Cold War |
| 1950s-1960s | Management professionalises and organisations begin thinking about more than just profit; consideration for employees, customers and the general public emerges. Supported a focus on Quality of Life Management. |
| 1960s | CSR grows in popularity influenced by social movements including workers' rights, civil rights, women's rights, consumer rights and a growing environmental movement. The role and importance of business in society becomes prominent but no financial dimension to CSR practices is evident. |
| 1970s | Focus on performance emerges through a desire to understand the outcomes of socially responsible activities. |
| 1980s | Emergence of the corporate/ business ethics stage involving the fostering of ethical corporate cultures. Greater emphasis on quality management and the role of individual businesses in wider society. The performance and impact of CSR is not advanced particularly. |
| 1990s | Global corporate citizenship allied to increased interest in business ethics. Ratings and rankings systems are developed to assess CSR which are used by investors |
| 2000s-2010s | Sustainability and sustainable development inform CSR's evolution through renewed concern for business impact on future generations. Move toward emphasis on the development of CSR at organisational level in relation to contingent external factors. CSR considered as a means of differentiation and competitive advantage Investors more aware of the benefits from being associated with socially responsible organisations creating an external driver for organisations to pursue CSR. Models of CSR in developing nations are more evident, especially ones with increasing presence and visibility in the global economy. |
| 2010s | Differing theoretical frameworks may be developing as CSR becomes more sophisticated, nuanced and responsive to globalisation. The creation of shared value and an integrated less hierarchical view. |

Table 2.1: Development and Focus of CSR Source: Author's interpretation drawing on Carroll (1999), Porter & Kramer (2006), Gjolberg (2009), Carroll & Shabana (2010), and Saeed & Arshad (2012).

In tandem with this evolution of the construct a wide range of definitions was developing. Some of these definitions reflected the prevailing social conditions of the time whilst others take a more corporate view of the responsibilities and others suggest that the organisation adopts a quasi-governmental approach to solving societal problems. The key definitions of CSR as a term are given in table 2.2 and chart the development of the terminology

2.1.3 Evolving Definitions

Essentially, as we see from table 2.2 the modern CSR construct developed from the 1950s, further evolving with renewed impetus from the 1970s as it became a focus of wide-ranging management studies; CSR is not viewed uniformly by organisations and although it has meaning, and currency it is not necessarily interpreted the same way by everybody (Carroll, 1999; Maon, Lindgreen and Swaen, 2010; Saeed & Arshad, 2012). There are two dimensions to CSR: internal CSR with a focus on human resource management, employee perceptions and social capital; and, external CSR with a focus on image, branding, competitive positioning and reputational capital (Saeed & Arshad, 2012). Whilst this study focuses on internal CSR with respect to the sense making and benefits of the construct it is not realistic to ignore the impact that the external perspective on CSR brings and as such both dimensions are important to the study

Table 2.2 CSR Terminology Source: adapted from Maon et al 2010 (p24)

| Year | Authors | Key Concept | Definitions |
|------|-----------------------------------|--|--|
| 1953 | Bowen | Corporate Social Responsibilities of businessmen (sic) | Obligations of businessmen to follow lines desirable in terms of societal values and objectives |
| 1960 | Davis | Corporate Social Responsibilities of Businesses | Actions should take into account more than simple profits. Links social responsibilities with power |
| 1970 | Friedman | Social Responsibility of Business | Business should only use resources to increase profits |
| 1975 | Sethi | Social Responsibility | Corporate behaviour should be congruent with prevailing social norms and values |
| 1975 | Davis | Social Responsibility | Actions should protect and improve the welfare of society as a whole |
| 1979 | Carroll | Social Responsibility of Business | Responsibilities encompass economic, legal, ethical and discretionary elements. |
| 1980 | Freeman | Social Responsibility | Responsibility to wide groups of stakeholders |
| 1984 | Drucker | Social Responsibility of Business | Enlightened self-interest – turning social problems into opportunities to create well paid jobs and wealth. |
| 1998 | Mclagen | Corporate Social Responsibility | Managers take responsibility for meeting a wide range of stakeholder expectations |
| 2002 | European Union (EU) | Corporate Social Responsibility | Integration of social and environmental concerns on a voluntary basis |
| 2002 | McWilliams and Siegel | Corporate Social Responsibility | Actions that go beyond the interest of the firm but add value |
| 2005 | Kotler & Lee | Corporate Social Responsibility | Improve community wellbeing through the use of corporate resources |
| 2011 | European Union Porter & Kramer | Impact Shared Value | the responsibility of enterprises for their impacts on society Increasing competitiveness whilst simultaneously advancing economic and social conditions in society |

Much of the primary body of work advancing understanding of what CSR is and how it becomes operationalized by organisations is authored by Carroll (1979, 1991, 1999; Carroll and Shabana, 2010). In summary to his 1991 article on the pyramid of corporate responsibility, Carroll (1991:48) noted that “business is called upon to be profitable, obey the law, be ethical and be a good corporate citizen”. As individual responsibilities they are understood, but by bringing them together in a construct which reflects the full range of business activities as well as their interaction with external stakeholders and communities the pyramid of CSR provides a way for organisations to conceptualise and operationalise CSR from their individual perspective. Carroll’s (1991) pyramid is represented in Figure 2.1 and discussed below.

Figure 2.1 – Carroll’s CSR Pyramid. Source: Adapted from Carroll (1991:42)



Carroll (1991) also provides a concise summary of the elements underpinning its construction which resonate with today’s business environment, a brief overview of each responsibility is provided below:

Economic – Business organisations are economic entities providing goods and services to consumers. They must be profitable, operate

efficiently, maintain a strong competitive position and perform in a manner consistent with maximising earnings per share.

Legal – Goods and services must be provided satisfying minimum legal requirements, successful organisations should fulfil their legal obligations and be law-abiding corporate citizens. Legal components coexist with economic responsibilities.

Ethical – ethical behaviour and corporate integrity extend beyond legal compliance so that society's ethical norms are accepted and uncompromised by the organisation's activity. Ethical and legal responsibilities dynamically interact with and encourage managers to exceed legal requirements.

Philanthropic – organisations should perform in a manner consistent with society's philanthropic and charitable expectations potentially including donations, employee involvement with third sector activities or support for community projects.

Carroll's model has been used as an accepted framework for understanding CSR by many researchers (Maignan & Ferrell, 2001; Ameer & Othman, 2012; Rahardjo et al., 2013) and offers a model for considering the supply-side in this study. Porter & Kramer (2006) identified four key tenets of CSR that proponents have used to make its case: moral obligation; sustainability; licence to act; and reputation. This provides an additional layer to the framework for understanding what CSR is. It has synergies with preceding analytical frameworks but places CSR at the heart of business decision-making and strategy.

In summary, CSR expects organisations to be profitable so they are viable over the longer term but they must generate profits by operating within national and international laws governing their activities (Carroll 1991). The economic imperative is vital for continued operation and development of individual businesses and the wider economy. In this respect Carroll's (1991) model builds on Friedman's (1970) view that the primary concern of business is to maximise shareholder wealth. Friedman's view is, rightly, at the very core of Carroll's CSR pyramid

where it is positioned as one responsibility in a holistic view of business-society relationships. However, CSR's utilisation by organisations is often blurred with CSR used as a vehicle to increase profitability as opposed to being a fundamental goal in its own right (Kolstad, 2007).

The definition of CSR evolved over the next 20 years and became less about a prescriptive hierarchy moving towards the voluntary integration of stakeholder expectations (Freeman 1984) towards an acceptance that each strand of the Triple Bottom Line of Financial, Societal and Environmental responsibilities are equally important and one should have no supremacy over any other strand (EC, 2011). This definition of CSR have been further refined to incorporate the requirement for organisations to utilise their capabilities and resources to enhance society and the environment rather than simply avoiding doing damage to it (McWilliams, 2002, Kotler, 2005) a perspective that was crystallised by Porter and Kramer (2011) by the notion of the creation of 'Shared Value' (p64)

2.1.4 Shared Value

There has been a major change in the perception of business and its role in creating value (Porter and Kramer, 2011). Until the recent past traditional capitalism was held up as the answer to questions of wealth and value creation. In this model as was noted previously, value was seen as belonging primarily to shareholders. This perception was in many ways reinforced with the rise in interest in corporate social responsibility (CSR) and the adoption of its principles by the majority of large investor owned firms and banks. The global recession and a string of banking scandals raised questions about this perspective – organisations of all sizes are believed to have been prospering at the expense of society (Handy, 2002). Shared value has been defined as 'policies and operating practices that enhance the competitiveness of a company while simultaneously advancing the economic and social conditions in the communities in which it operates' (Porter and Kramer, 2011). This view asserts that the standard operating model of businesses consists of an

outdated perception of how they create value and indeed of what constitutes value. The short term focus of maximization of both profit and shareholder return has been criticised as unsustainable (Carrol, 1979, Handy, 2002) and the question of how organisations can create shared value (Porter and Kramer, 2006) is key to the redefinition of what both capitalism and CSR mean in the 21st century and how it might evolve into a system that meets the needs of its stakeholders in the widest sense.

The concept of shared value is inextricably linked with that of CSR – Porter (ibid) suggests that ‘the competitiveness of an organisation and the health of the community around it are.....interdependent’. He further suggests that companies can create economic value by creating societal value – another example of the CSR concept of ‘enlightened self-interest’.

Regardless of this, CSR remains a contested concept open to interpretation, adaptation, acceptance and rejection. Indeed, De Bakker et al. (2005) note, following their review of thirty years’ of research material on CSR, an absence of academic consensus on the precise definition of what CSR is despite its frequent application in studies. De Bakker et al. (2005) did identify a strong increase in the number of publications observed since the 1990s suggesting CSR has become well established as a field of academic research firmly embedded in management science. Whilst there has been a tendency for researchers to build on prior research, new constructs and linkages are being proposed supporting the view that CSR has become more diverse and sophisticated as a topic of management research and its evolution continues. This does not necessarily improve the clarity of meaning presented to managers resulting from increased research, assessment, measurement and commentary thus the operationalization of CSR has not advanced to the same degree as the research underpinning it.

2.1.5 Implicit and Explicit CSR

Matten and Moon (2008) discuss the importance and the differences between implicit and explicit CSR. By “implicit CSR,” they refer to corporations’ role within the wider formal and informal institutions for society’s interests and concerns. Implicit CSR consists of values, norms, and rules that result in (prescribed and conventional) requirements for corporations to address stakeholder issues and that define proper obligations of corporate actors in collective rather than individual terms. While representative business associations would often be directly involved in the definition and legitimization of these requirements, individual corporations would not normally articulate their own versions of such responsibilities. By “explicit CSR,” they refer to corporate policies that assume and articulate responsibility for some societal interests. They normally consist of voluntary programs and strategies by corporations that combine social and business value and address issues perceived as being part of the social responsibility of the company.

Within the deeper context of comparison between implicit and explicit CSR, it is noteworthy to accept that implicit CSR is a reaction of the organisation to the environment in which they trade. However, explicit CSR is a reaction to a determined strategy laid down by the organisation in essence to aid competitive advantage within their trading arena (Porter & Kramer 2006). In this scenario the position of explicit CSR is in contrast to the view of the primacy of shareholder returns as laid down by Friedman (1970). Friedman (ibid) strongly argues that any benevolent donations are an economic loss to the business and essentially it is not within the remit of managers to make decisions that negatively impact on the shareholders of the organisation. Porter and Kramer (2002) however argue that via donations and therefore explicit CSR, a company can redefine its competitive context, bringing social and economic goals into alignment and dismissing the cornerstone of Friedman’s argument. Lantos (2001) continues to argue that as organisations are now larger and more influential within society, their very definition must be readdressed to take account of their organic development within and

responsibility towards society. However, to note the concept as advocated by Lantos (2001), stakeholder acceptance/rejection of altruistic positioning is based purely on their own personal cognitive conditioning and rationality towards the concept as a whole (Barnett, 2007).

2.2 Triple Bottom Line – Broadening the Debate

The gap between the impact of profit and society within an organisational context has been one which has for many years been problematic. According to Barnett (2007), following 30 years of wondering and pondering there is still no discernible relation that has been found between CSR and any element of factored profit. Barnett's (2007) view point comes after the benefits of the Triple Bottom Line (TBL) were put forward by Elkington (1994) and reinforced some years later (Elkington, 1997). TBL takes the ideas of Carroll (1995) and removes the hierarchy – suggesting that a triple bottom line of Economic, Societal and Environmental responsibilities replace the hierarchical model where the primacy of the economic is clearly evident. Elkington contends that the TBL focuses organisations on both the economic value that they add, but also the environmental and social value that they destroy. He suggests that in reality business must metamorphose to generate sustainability within the new millennium. The sustainability argument, the foundation of Elkington's TBL concept, might be seen as developing from Brundland (1987) by explicitly incorporating environmental and social elements. This allowed a language to be developed that ensured that those focused upon the economic bottom line could see that whilst it was still a financial focus a wider set of concerns were being incorporated.

Hopkins (2003) criticises the idea of TBL by stating that, “The TBL concept is simply too confusing, and intellectually suspect...” (Hopkins 2003). He continues to criticise the concept further by suggesting four main unworkable characteristics of the TBL concept, these being:

1. Companies cannot put profitability onto the same level as social and environmental concerns; a company cannot survive whilst being socially or environmentally responsible whilst making losses
2. Social and Environmental benefits tend to be long term before impacting stakeholder values
3. TBL equates social with environmental aspects
4. The notion of stakeholders is not necessarily defined in the TBL approach (Hopkins 2003)

However, Vos (2005) does suggest an interesting and relevant point, in that TBL reporting is generally adopted by large organisations with large reputations to protect, therefore increasing their transparency towards society.

Pava (2008) offers support to the position taken by Vos in as much as he (Pava) contends that an organisation that concentrates strictly on the financial bottom line is essentially devoid of a three dimensional character and reduces the humanistic element of the organisation. Elkington (1994) suggests that the inclusion of sustainability principles within the internal organisation will in turn develop and expand the managerial attitudes and responses of internal stakeholders.

The relationship of sustainability towards TBL is one which is put forward by Gray and Milne (2004) who suggest that it is inconceivable for an organisation to be sustainable (responsible) in an unsustainable (or irresponsible) market system.

This position is reinforced by recent research conducted by Business in the Community (BITC) which suggests that over a five year period companies that were aligned to the Corporate Responsibility Index outperformed the FTSE-350 by on average 3.3 to 7.7% annually (BITC

2010). A situation reinforced further by Li Chin and Taylor (2007) who suggests that a focus on the triple bottom line can add value to both the business and the wider community. It is also interesting to note that major stakeholders, such as investment banks and fund managers, still do not always take into consideration an organisations commitment to CSR as a defining criterion for investment approval (BITC 2008) – although as will be demonstrated in section 2.5 there are socially responsible investment funds in operation. It is interesting to note the work and literature which already dominates this chosen research field, and in particular the relevance and reference to the almost arbitrary dismissal that CSR receives when the bottom line becomes the sole focus of corporate attention. This is highlighted by Barley (2009), in reference to the dramatic turnaround and rebranding of BP in relation to their “green” credentials although the Deepwater Horizon disaster of 2010 clearly has significantly impacted on this (Crooks, 2010)

In the post-war period, especially since the 1970s, the role of business in society has transformed so that although organizations may have more operational scope than previously, they have become more closely intertwined with issues formerly the preserve of government (Gjolberg, 2009), for example environmental stewardship, community development, support for education and projects in developing nations. This re-aligned relationship between public-sector policy makers, civil society and private enterprise is encapsulated in the TBL - running contrary to Friedman’s (1970) suggestion that the only social responsibility of business was to its shareholders through profit maximization. Gjolberg (2009) further suggests that CSR and the TBL increased its profile due to discontent over globalization which impacted on the activities of multinational enterprises as anti-corporate sentiment was fuelled by corporate scandals at organizations such as Shell and Nike.

2.3 Impact of CSR

As the link is increasingly sought between CSR and business benefits, the justification for organisations to pursue CSR as “enlightened self-interest” (Pomering & Dolnicar, 2009) has grown. Enlightened Self Interest (Handy, 2002; Drucker, 1984) is a concept whereby organisations engage in socially responsible behaviours because it furthers their organisational objectives either by design or coincidence. Business and society have become more intertwined so that corporate success and social welfare are not a zero-sum game (Porter & Kramer, 2006) and managers interact with multiple stakeholder groups raising demands for CSR from organisations (McWilliams & Siegel, 2001). However, CSR is not readily defined and implementation is not something to be considered by way of short-term outcomes, it is more of a long-term process (Carroll, 1999; Rahardjo et al., 2013). The operationalization of CSR requires its embrace by managers, employees and, ultimately, consumers of the organisation’s goods and services continually and incrementally over time as organisations exceed legal requirements.

Corporate enlightened self-interest drives many firms to pursue CSR, especially global firms seeking legitimacy for their business activities; it derives partly from a response to anti-globalisation and anti-corporate sentiment forming the business case response to positive and negative external pressures on organisations (Gjolberg, 2009). Moreover, it can be considered an opportunity and way of attaining competitive advantage with thirty years of empirical research suggesting “a positive link between firms’ social performance and financial performance” (Lindgreen et. al., 2012:967). Commenting on the position in 2005, Porter & Kramer (2006) noted that of the world’s 250 largest MNEs, 64% published CSR reports that year either as standalone sustainability reports or within annual reports – a trend that Fig 2.4 highlights. It has also been noted (Luo & Bhattacharya (2006) cited in Lii & Lee (2012)) that over 90% of Fortune 500 companies undertake CSR activities and report on them. This suggests increased recognition of CSR reporting though the variety of approaches and optional omissions can make interpretation difficult. It also raises concern over the way CSR is communicated because as the

significance of CSR grows, simultaneously, the CSR reporting process becomes more important (Lii & Lee 2012).

There are mixed results as to the impact of CSR to organisations. Studies by Maignan & Ferrell (2001) and Saeed & Arshad (2012) reviewed existing work (separated by a decade) whereby some researchers found a positive link, and others a negative relationship while further researchers have found no significant relationship at all – suggesting ambiguity in the relationship between CSR actions and profitability. Moreover, McWilliams & Siegel (2000) suggest some research findings substantiating the business case for CSR are flawed possibly because of mistakes in econometric estimation arising from models which neglect spend on research and development undermining the relationship between CSR and R&D. When the flaws were corrected McWilliams & Siegel (2000) could only conclude that CSR may have a neutral financial effect. In a further review of extant research, Kolstad (2007) noted it is wrong to conclude the relationship between CSR and profitability is a positive one, again citing a mix of positive and negative research findings as well as highlighting methodological flaws leading to overly positive results. Nevertheless, Saeed & Arshad's (2012) review of studies assessing the links between CSR and corporate financial performance concluded that CSR investments tend to deliver greater financial returns to organisations, in terms of marketing and accounting measures". The business case for CSR would, on balance, appear to lack clear evidence for or against it, suggesting there are micro-scale issues about types of CSR, organisations and contexts. An early study did not find any relationship between profitable organisations and their degree of social responsibility, although the researchers did note (Aupperle et al., 1985:446) that "assessing profitability is a relatively clear-cut process, but assessing social responsibility is not". Kolstad (2007) echoes this noting that when executives are selective and choose to only implement acts of CSR that promote profits they are, in essence, being profit-minded as opposed to responsible.

Porter & Kramer (2006 p79) suggest CSR can be much more than “a cost, a constraint, or a charitable deed”, and, indeed, more than a reaction to consumer concern over a particular issue. CSR is increasingly regarded as fundamental to organisational strategy, especially marketing strategy (Boccia & Sarno, 2012) rather than an optional bolt-on, though greater understanding of how organisations operationalize the concept is needed. Similarly, CSR gives the opportunity for organisations to capitalise on their unique resource position in relation to sustainability if they can satisfy Barney’s (1991) criteria for the resource-based view of the firm: valuable, inimitable, rare and immobile (Saeed & Arshad, 2012). Barney (1991) suggests firms in open market conditions cannot expect to purchase competitive advantage; these advantages should be found in the rare, imperfectly imitable and non-substitutable resources that are already in the firm’s control. Consequently, CSR can be viewed as a source of competitive advantage though its sustainability into the longer-term is dependent on competitor firms’ and consumer’s reaction and response to the firm’s CSR activities. This point is picked up by McWilliams & Siegel (2011) who note the increased attention to CSR coupled to the longer-term success of early adopter organisations, such as McDonald’s, suggest CSR could be a resource especially where it co-specialises to make other assets more valuable through, for example, enhancement of reputational capital.

Case study work by Lindgreen et al. (2012) reflects these points of competitive advantage and individual firm strategies while illustrating how the case study approach can be applied to this subject. Similarly, case study work by Holt & McNulty (2008) with specific reference to BP is particularly relevance to this research. In examining the case of BP, the value of understanding the role of CSR messages through “skilled articulation of firm commitments and activities” is demonstrated and related to strategic actions of the organisation (Holt & McNulty, 2008:72).

Strategic approaches to CSR developed by organisations have stakeholders as a central and ascending component (Hildebrand et. al., 2011). This recognises an interesting shift in relationships between business and society from the shareholder approach posited by Friedman (1970), but perhaps the two are not mutually exclusive. Echoing Friedman's (1970) maxim that the only business of business is business, Porter & Kramer (2006) suggest the moral purpose of business is contribution to a prosperous economy by creating jobs, making investments and purchasing goods and services through daily activities. In doing so, organisations can simultaneously satisfy stakeholder and shareholder demands.

A key differentiator in the use of CSR by organisations is ensuring correct choices are made so they contribute to society's aims through involvement in "focused, proactive and integrated social initiatives" resonating with their core strategies, values and activities (Porter & Kramer (2006 p13). Through alignment of business strategy and decision-making organisations can contribute more to CSR and, in the process, use CSR as a strategic differentiator potentially leading to competitive advantage. Using CSR as a differentiation strategy can stimulate new demand for a good or service as well as potentially commanding a higher price than for an existing non-CSR product according to McWilliams & Siegel (2001) citing Ben & Jerry's ice cream as an example. Differentiation can be based on any variety of inputs (factors of production) to the organisation's activities and simultaneously reflect its culture, beliefs and strategic ambitions. However, for the supply-side approach to have traction, organisations must invest resources in CSR to satisfy demand for it in a way that is proportionate to the perceived demand for CSR from consumers (McWilliams & Siegel, 2001).

Moreover, the Triple Bottom Line (economic, social, environmental) illustrates a practical approach for organisations seeking to become more sustainable without losing focus on the financial bottom line and other

concerns around economic growth and development (Blayney Stuart, 2011). CSR provides an operational construct for organisations with concerns extending beyond the short-term horizons of profitability (Mohr et. al., 2001).

Finally, although not a focus for consideration in this research it is worth noting the work of Bondy (2008:320), suggesting CSR is not entirely benign and can be subject to internal opportunistic behaviour and power seeking in organisations which can lead to “subversion of CSR and its benefits to stakeholders” through the “paradox of power”. Individual actors in organisations may use CSR for their own advancement with ensuing power struggles negatively impacting on CSR delivery. This dimension is not well covered in the literature and provides an interesting area for future scholarly endeavour.

2.4 Business Benefits of CSR

Whilst the impact of CSR on customers and corporate image are not the focus of this research, all of the organisations involved would argue that they have a culture of customer service hence it is appropriate to examine the consumer perspective of CSR. Enlightened self-interest, differentiation strategy, reaction to globalisation and pursuit of competitive advantage are accepted reasons why organisations develop and implement CSR strategies. However, less is known about the value of CSR as a marketing tool and key areas of investigation such as: consumer willingness to support CSR companies; and, consumer awareness, definition and understanding of CSR (Maignan & Ferrell 2001). In this respect an important area of influence is the role of marketing in establishing relationships between the organisation and its key stakeholders, especially consumers (Maignan & Ferrell, 2001).

Consequently it has been argued that CSR only delivers benefit to organisations when it can influence consumer behaviour in the organisation’s favour and this, it is argued (Maignan & Ferrell, 2001;

Bhattacharya & Sen, 2004; Pomeroy & Dolnicar, 2009) can only occur when consumers are aware of the organisation's CSR approach and achievements. This relationship implies a degree of trust between organisation and consumers who are required to demonstrate faith in the practices and behaviours of organisations (Lamberti & Lettieri, 2009).

Research findings suggest consumer awareness of CSR is low (Bhattacharya & Sen, 2004; Pomeroy & Dolnicar, 2009) and support the call for more research to inform understanding of the level of CSR awareness among consumers while suggesting organisations need to work on awareness raising. Oberseder et al. (2011) take this discussion further stating that consumers do not have a great interest in CSR and it has a limited role in purchase behaviour so the relationship between CSR and consumer behaviour requires more research so it can be better understood.

Identifying the best way to communicate CSR messages to consumers has proven difficult for organisations and is an issue investigated through consumer research on Australia's banking sector (Pomeroy & Dolnicar, 2009) and in Europe (Oberseder et. al., 2011). The Australian study (Pomeroy & Dolnicar, 2009) utilised an electronic survey to understand the consumer (demand) side of CSR. Impetus for the survey derived from recognition that previous surveys focused on limited aspects of CSR or treated it generally without exploring consumer understanding of it (Maignan & Ferrell, 2001). Moreover, there is recognition that CSR strategies and marketing may work best when they result in the co-creation of value with consumers and stakeholders rather than imposing it on them (Hildebrand et. al., 2011).

Understanding the value of CSR to society and consumers is challenging as consumers can find it difficult to determine whether internal operations of an organisation satisfy their own moral and political standards for social responsibility (McWilliams & Siegel, 2011). The issue of trust in the organisation-consumer relationship also surfaces here too, McWilliams &

Siegel (2011) note that many multinational enterprises like McDonald's, Motorola and Nike will publish annual reports on social responsibility which can also be viewed as a form of advertising, but consumers may distrust it or regard it as biased since it emanates from the organisation . This leads to manager's reluctance to be open about the underlying motives for engaging in CSR as it may be regarded more positively if separated from the relationship to the bottom line (McWilliams & Siegel 2011) . Moreover, public attitudes towards companies and company profits have shifted since the 1970s when a MORI poll in Britain found that the public agreed by two-to-one that the profits of large organisations helped their customers, by the mid-2000s the British public disagreed by two-to-one (Cox, 2008).

There is much evidence to suggest that CSR has a positive impact on brand (Interbrand 2011, 2013). For consumers to make purchase decisions involving CSR involves some behaviour shifts and changes from purchase decisions based on traditional characteristics such as price, convenience and quality to a decision-making process involving knowledge of complex social issues and insight into the CSR record of organisations (Mohr et al., 2001). Marketing of CSR to consumers can be placed in the social marketing paradigm involving the influencing of consumer behaviour not simply the promotion of ideas although it has been criticised for its relative inability to demonstrate its precise role in delivering social change (Andreasen, 2002). As consumer behaviour is influenced so decision-making alters and shifts towards the desired outcome through stages of involvement based on patterns of purchasing behaviour instead of singular decisions and Andreasen (1995, 2002) has devised a four-stage model applicable to the transition to socially responsible consumer behaviour:

Pre-contemplation – Pre-contemplators may believe marketing to be manipulative, consequently basing their decision-making on rational economic criteria.

Contemplation – Contemplators may consider CSR at some points when choosing products but mostly if they see some personal benefit.

Action – Actors are generally more aware of CSR issues and made decisions to use CSR as a component in their consumer decision making. Actors also make decisions to boycott irresponsible organisations.

Maintenance – Maintainers are committed to socially responsible consumer behaviour and actively seek out information on organisation's CSR performance. They may also actively seek to influence organisational behaviour in favour of CSR though they could require timely reinforcement of the wisdom in their decision-making.

In their study involving in-depth interviews of consumers to determine their views on the social responsibilities of organisations, Mohr et al. (2001) applied Andreasen's (2002) four stage model to assess the readiness of the interviewees to base their purchasing decisions on CSR. This research revealed consumers are positive towards socially responsible organisations but recognise the enlightened self-interest motivation for organisations using CSR while, perhaps most importantly from the consumer perspective, concluding that most respondents do not regularly use CSR as part of their purchase decision-making.

On the basis of consumer focus group and survey research work, Bhattacharya & Sen (2004) revealed consumer relations with CSR were not as straightforward as some commentators have suggested; consumers are heterogeneous demonstrating a broad range of reaction to CSR, suggesting CSR can have benefits to consumers, organisations and the social initiatives the CSR represents. This broader application of the benefits of CSR has, according to Bhattacharya & Sen (2004), not been picked up by the myopic nature of previous research focusing on the consumer behavioural benefits to the organisation. However, Bhattacharya & Sen's (2004) research finds that consumers believe CSR

is a marginal influence on purchase decisions which has less influence than product quality or price, a point reaffirmed by Oberseder et al. (2011). Consumer positivity surrounding CSR may not result in purchase and consumption due to reluctance to pay more for the CSR product regardless of believing it to be a good thing. Ultimately, consumers make purchase decision to maximise their own utility, CSR has a bearing on this decision-making for some consumers but not all and not all of the time.

In a study focused on the food sector in a region of Italy using a household survey, Boccia & Sarno (2012) report companies undertaking CSR seeking to raise consumer awareness of it and simultaneously enhancing corporate reputation and performance; and, they do this in response to new consumer dynamics where price is important but consideration is also given to product life, packaging that minimises waste, workers' rights and environmental sustainability. Nevertheless, Boccia & Sarno's (2012) research found that two-thirds of respondents didn't trust big companies, and respondent's level of distrust increased with higher levels of educational attainment, while less than one-half of respondents (43%) expressed no awareness of CSR. This informs the findings on price sensitivity too, four-out-of-ten (41%) of respondents stated they would be willing to pay more for products from companies with good CSR practices, but the increased price expressed was between €1 and €3. The findings from this study are specific to the food sector and to Italy, but they do present interesting insights into price sensitivities and willingness to pay for CSR-related goods and services.

Chiswick (2013) suggests realistic criteria which the implementation of CSR brings wholeheartedly to the table. He suggests the following as tangible benefits of CSR policies and practices:

Reduced operating costs – it is thought that socially responsible workplace initiatives can reduce absenteeism and help retain staff, Increased sales and customer loyalty, Increased productivity and quality – greater employee involvement in decision-making often leads to a more

satisfied workforce which in turn can lead to greater productivity, Improved returns for shareholders – anecdotally it is shown that companies with a committed CSR policy achieve a higher rate of return.

Although the above offer a contemporary viewpoint within the 21st Century, the benefits offered by Wilson are not too dissimilar to those suggested by Davies (1973) some 36 years ago. In his work “The case for and against business assumption of Social Responsibilities”, Davies (1973) suggests the following elements that produce a business case for Social Responsibility:

Long-run self-interest: This element is one which is simplified somewhat in its suggestion that if business meets the goals of society then profit for the organisation will follow. It is clear that if an organisation can take its responsibilities towards the local community seriously then potentially the community will accept the organisation. Davies continues to suggest that if this element is brought to fruition then it makes the recruitment and retention of labour easier within the organisation – essentially similar to the point made by Chiswick (2013).

It is possible to suggest though that Davies’ work in relation to this specific point is more in line the altruistic camp as he concludes by stating “...that to gain future profits an organisation may need to contribute (financially) to various social concerns to the detriment of shareholder returns.” (Davies, 1973). Although one would question Davies’ linkage between the accomplishment of social “goods” and low cost production.

Viability of Business: To this extent Davies suggests that society has given business its mandate to operate and that it (society) has the power to revoke this mandate should business fail to live up to its expectations. Davies terms this “The Iron Law of Responsibility”. This concept intrinsically conducts the premise that if an organisation only acts within the boundary of what is required by the law, the organisation may

potentially falter and suffer a loss of the business power which has been mandated by society.

Avoidance of Government Regulation: Here Davies develops the theory that by business being socially responsible on a proactive basis can actually prevent Government introducing new restrictions and therefore constricting the flexibility of the organisation in reacting to market and social factors. He contends that by maintaining “initiative” within decision making and keeping this “as near as possible to the point where.....the...problem occurs” (Davies 1973), creates responsible behaviour and long term avoidance of regulation.

Sociocultural Norms: Within the area of the advantages of CSR it is noted that business operates under the same constraints that individuals do within society and that changes within society are powerful determinants of organisational behaviour. Davies suggests that business essentially concentrates on a strata approach to decision making by contending that business will rank its goals and then once achieved move to the next objective. Therefore “...if he is achieving his profit goal but not the public image and social responsibility which he desires, his decision making will be guided by these unmet goals.” (Davies 1973)

The work of Davies (1973) and Chiswick (2013) essentially promote the understanding that CSR is beneficial to an organisations corporate health and is complemented by the analysis of Porter and Kramer (2006) who synthesise four justifications of CSR. According to Porter and Kramer (Ibid), their quintessential justifications of CSR are:

1. Moral Obligation – i.e. companies have a duty to be good citizens. Essentially commercial success as Porter and Kramer allude to is acceptable and encouraged as long as organisations “...honour ethical values, respect people, communities and the natural environment.”

2. Sustainability – Porter and Kramer (Ibid) suggest that each organisation is essentially operating under a privileged tacit permission of Government and the local community and therefore is responsible to these stakeholder groups. They continue in their analysis of this element to suggest that local philanthropy can indeed be a key driver in maintaining the sustainability of the organisation.

3. License to operate – It is acknowledged by Porter and Kramer (Ibid) that this element within their justification “paradigm” does to some extent allow the local stakeholders to exert perhaps too much emphasis onto the organisation as by definition the organisation will require a licence to operate within the actual community. Philanthropy aside, if an organisation is dependent upon e.g. extracting raw materials from a specific location or externalities such as emissions into the local atmosphere, then it is necessary to maintain a dialogue with the local stakeholders.

4. Reputation – Porter and Kramer make a collaborative link to the licence to operate element and the input of stakeholders and the efficiency of the organisation. This, as Porter and Kramer suggest, can often lead to a high level of cause related marketing activity to establish a view to customers that the organisation is respectable and trustworthy. However, even with regard to all the above justifications that Porter and Kramer (ibid) make, they do also suggest that “...as insurance, the connection between good deeds and consumer interests is so indirect as to be impossible to measure.” (Porter and Kramer, 2006)

They continue to convey: “Having no way to quantify the benefits of these investments put(s)...CSR...on shaky ground, liable to be dislodged by a change of management or a swing in the business cycle.” (Porter and Kramer, 2006)

The theories offered by Davies (1973), Chiswick (2013) and Porter and Kramer (2006) are subsequently reinforced in the more recent work of

Davis et al (2008) who suggests that an organisation's CSR agenda earns not only customer and community trust and achieves greater operational efficiency but increasingly, it has a positive impact on recruitment and retention (Davis et al 2008)

2.5 Definition, Business Case and Measures of CSR

This leads to fundamental questions of exactly what CSR is, how it is defined, how it's measured and what the benefits of a company embracing CSR might be as an issue of strategic importance in the battle to ensure competitive advantage.

As noted in section 2.3 and table 2.2 Carroll (1999) asserts that the modern era of CSR began with the 1953 publication by Howard R Bowen of his book Social Responsibilities of the Businessman. In his book Bowen (1953) defined this responsibility as 'the obligation 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'. Throughout the 1960s, 1970s, 1980s 1990s and the new millennium various other definitions were put forward, argued and redefined. Still no agreement has been reached over what exactly CSR is, how it might be defined, implemented and measured and one of the difficulties in a study of CSR is the lack of any common language to use. There is no one broadly accepted definition of the concept. Various definitions have been used. The EU define CSR as '...a concept whereby companies integrate social and environmental concerns in their business operations and in their interactions with their stakeholders on a voluntary basis'

Michael Hopkins (2005) defines it as '...being concerned with treating the stakeholders of the firm ethically or in a socially responsible manner'. Bowen (1953) defined CSR as 'The obligation of businessmen (sic) to pursue those policies, to make those decisions or to follow those lines of

action which are desirable in terms of the objectives of values of our society'. Business in the Community define it as

'..a company's positive impact on society and the environment through its operations, products or services and through its interaction with key stakeholders such as employees, customers, investors, communities and suppliers' Business in The Community www.bitc.org.uk accessed 10 January 2010

There are as many other definitions of CSR as there are writers on the subject. So this raises a problem for companies who want CSR to play a strategic role in their businesses. Further, is there a difference between CSR, CR, Ethics, governance, corporate citizenship, corporate social responsiveness and the plethora of other acronyms and expressions used in the field?

Freeman (1984) raised the issue of stakeholders and their relationship with the firm, and stakeholder analysis soon formed an integral part of the CSR debate. The notion of stakeholders was not new, and Freeman attributes the terminology to work carried out by Stanford Research International (SRI) in the early – mid 1960s where they were attempting to broaden the view of groups that impact a firm from stockholders (shareholders) to stakeholders by using a similar word to suggest similar rights to expectations being met. Whilst SRI defined stakeholders as those without whom the organisation would cease to exist, Freeman (1984 P52) defined stakeholders as 'groups or individuals who can affect or are affected by the achievement of an organisation's mission'. More recently Murimoto et al (2005) asked if CSR does not represent the social strand to sustainable development as defined by Bruntland (1987) in the World Commission on Environment and Development (WCED) report. The report by WCED suggested that sustainable development involves a process whereby the exploitation of resources, the direction of investment, the orientation of technical innovation and institutional change are all aligned and enhance both the current and future ability to

meet human needs and aspirations. The report identifies environmental protection, economic growth and social equity as being the cornerstones of this development. The EU defines CSR as 'a concept whereby companies integrate social and environmental concerns in their business operations and in their interactions with their stakeholders on a voluntary basis'. Whilst there are clearly common themes running through these definitions, the lack of an acknowledged and broadly accepted definition of the concept of Corporate Social Responsibility is suggested as an obvious reason why CSR is being interpreted in a consistent way or not, and it certainly contributes to the problem of developing a measurement system for CSR. This lack of an acknowledged definition has been acknowledged as problematic (Murimoto et al, 2005, Hopkins, 2003)

That being said, although CSR is not the only aspect of organisational life that whilst it is difficult to define precisely is acknowledged as important for the success of the business, some other aspects have been examined and strong claims made supporting their benefits. Huselid (1995) studied the practices of almost 1000 US firms with respect to their HR policies and practices. This examined recruitment, compensation, employee involvement, training and various other HR practices that he termed High Performance Work Practices and identified a statistically significant link between these practices and long and short term measures of corporate financial performance. Whilst the methodology that sits behind this study may appear transferable to any investigation of CSR and financial performance, there are limits to the replicability of this study or even to define 'financial performance' a subjective term open to much interpretation. Measures of financial performance are many and varied; Return On Investment, Return On Capital Employed and Gross and Net profit are a small fraction of the measures that might be used to measure performance and each give insight in different ways. This makes mapping CSR to financial indicators difficult as noted by Hopkins (2003). When trying to map share price movement relative to the ranking of CSR activities in the FTSE companies, indeed all that he could conclude was that ' CSR standing does not necessarily badly affect a company's share

price' (Hopkins 2003 P133). Klassen and McLaughlin (1996) found evidence that suggested a share price increase following positive news regarding CSR is less strong than a price decline following negative news. Huselid (1995) was able to show that in some circumstances, and using certain measures a positive impact was noted. He was also able to show that employee outcomes of turnover and productivity were higher in firms that employ high performance work practices, and these might prove a starting point to try and measure CSR.

As was discussed in Chapter 1.2, for many organisations and studies there is a desire to make a business case – or at least to show that there is a business benefit to CSR. Hopkins (2003) notes the difficulty in making a quantitative business case for CSR as correlation between CSR actions and any of the measures previously noted does not necessarily mean causality. Indeed it would be expected that any of these measures, or any other measures that might be considered, are the result of a complex variety of interdependent and independent variables. Hopkins (2003) does however assert that there are significant qualitative arguments linking CSR the business case, a view supported by the World Economic Forum (WEF 2009) some of which can be partially, if not fully quantified. These include Brand Equity, Access to finance, Employee Motivation, and Innovation.

2.5.1 Qualitative Measures

Brand equity and corporate reputation are inextricably linked and brand equity leads to the ability to charge enhanced prices. The overall purpose of brand equity is the creation of an identity for a product, service or indeed an organisation that is distinctive. Drummond and Ensor (2002) suggest that building brand equity will 'result in either the customer showing greater brand loyalty or being willing to pay a premium price for the product' (p188) has been made by many writers and indeed might reasonably be suggested as the key reason for organisations investing in

their brands. Brand value is one of the key intangible assets of a business. Interbrand (2011) has suggested that as much as 96% of Coca-Cola's value lies in its brand. According to Herbig & Milewicz (1997), quality of a product is inferred by reputation, and a 2002 MORI poll suggested that 44% of UK consumers consider it important that a company they buy from shows a high level of corporate social responsibility. Smith (2003) suggests that CSR might provide a basis for differentiation particularly in competitive markets. Hall (1992) states that reputation is an intangible resource which increases brand value leading to competitive advantage. This is not to say that CSR and brand equity are a quick fix for organisations. As Smith (2003) notes consumers may like the idea of companies being socially responsible however they may not be willing to pay a premium for it, and indeed are often suspicious of companies that they deem to be exploiting their CSR credentials and believe that some organisations are guilty of what is often termed 'greenwash' – a phenomenon where companies commit to CSR because they think it looks good. This is highlighted for these consumers where organisations would appear to cynically exploit their CSR credentials e.g. in 1999 Philip Morris laudably made charitable donations of \$75m, then proceeded to spend \$100m advertising the fact (Porter & Kramer 2002 p57). Smith (2003) differentiates between businesses where CSR is an 'after profit' consideration and those for who it is a before profit activity. The building of brand equity leads to a positive impact on a firm's status and image, and subsequent creation of competitive advantage. Jones (1995) further believes that reputation is a reliable indicator of tendency to opportunism, which Williamson (1985) defines as 'self interest with guile' (p.47), which he explains as sometimes involving blatant forms of lying and cheating, but more usually involving more subtle deceptions. Further adapting the Klassen & McLaughlin (1996) findings of share price activity relative to CSR, it would follow that significant damage can be done to a brand by activities deemed as irresponsible by customers. As noted previously The World Economic Forum suggest that there are further benefits around access to finance, attractiveness to employees and innovation associated with CSR (WEF 2009)

Access to Finance

In the UK many of the financial institutions have strong ethical investment policies, with some e.g. Co-operative bank making it as important as credit rating when making lending decisions. The fact is that today CSR directly impacts an organisation's access to funding and investment, and all the signs are that in the future this will be even more the case. Further with more and more institutions adopting industry wide standards such as the Equator Principles (<http://www.equator-principles.com/>), which give clear guidance and categories that constitute projects that they will fund (socially and environmentally responsible) access to project funding is becoming intrinsically linked to Socially Responsible Investment. That being said, many brokers historically recommend tobacco stocks because of their generally superior rates of return (Smith 2004) and a cursory glance at the FTSE evidences that they still do. Whilst there are clearly difficulties in attributing financial success to CSR, there are certain areas where it is possible to measure the benefits financially e.g. enhanced access to capital markets (Chen et al 2011). It is further possible to assert that access to some capital markets is directly impacted by CSR activities. One of the few organisations currently quantifying the impact CSR has on their financial performance are the Co-operative bank who estimate that 15 – 18% of their pre-tax profits can be directly attributed to its CSR stance. Business in the Community and Arthur Little (2003) estimate that in 2001 there were \$2.34 trillion of funds under Socially Responsible Investment (SRI), this represents one in eight of the funds under professional stewardship. In Europe, these figures are lower, but are still significant with £336 billion being invested in the SRI Institutional market and the report suggests that there has been an increase of over 1000% in SRI between 1999 and 2003 – more recent research estimates the global figure to be closer to \$30 trillion (USSIF 2012). The Equator Principles pioneered by the World Bank are now applied by the majority of the main UK banks and has a strong presence globally amongst banks. These principles are based on strong environmental and social principles and affect lending over \$50million. The principles impact the

banks' willingness to lend and as such directly impact the firms' access to capital markets. As there is no corresponding socially irresponsible investment funds it would appear safe to say that CSR has benefits to organisations wishing access to capital markets.

Attractiveness to Employees

A survey carried out by the consultancy group Environics in 2003 and reported by Business in the Community (2003) revealed that three in five people want to work for an organisation whose values are consistent with their own. Beach (1990) supports this contention in the assertion that individuals have value images, and will not stay in an organisation that they feel does not mirror their values. This suggests that these are increased organisational attractiveness to employees and greater retention rates have also been noted in organisations where CSR is given high priority. There has been documented evidence of the link between companies that give high priority to CSR and staff retention with The Co Operative bank reporting lower than industry average staff turnover, and Starbucks reporting a staff retention rate of some 66% better than industry norms (Smith 2005). Whilst CSR may be a factor for some when choosing employers, it clearly is not for others, tobacco companies tend to be able to attract and retain staff simply by offering more money than other companies can.

Innovation

Creativity, intellectual capital and learning are all helped by a positive CSR policy. This is because CSR encourages systems thinking. According to Senge (2001) high corporate mortality affects companies that learn poorly. In the 1980s a Shell survey noted that the average lifespan of the largest companies is less than 40 years. It has also been noted (Hal 1997) (Collins and Porras 2005) that a core set of values that employees can relate to are important factors in business longevity. Hopkins (2003) notes that as up to 80% of the value of many new economy businesses is their intellectual capital this becomes a more and

more important feature for them.. Additionally Risk Management is improved – risk can be managed better with in depth analysis of relations with, and expectations of, external stakeholders.

Whilst quantitative measures may difficult, although clearly some of the above can be expressed quantitatively e.g. staff turnover and satisfaction levels, some aspects of risk management and the value of brands can be measured, it is difficult to directly identify a correlation between them and CSR. There have been some notable quantitative measurement used e.g. from 1996 – 2001 the Dow Jones Sustainability Index outperformed the General Index by with an annualised return of 15.8% compared to 12.5% (source World Business Council for Sustainable Development), and there are other measures that suggest CSR can be quantitatively measured, but there are equally other measures that suggest the opposite, that suggest that CSR has no material impact on the standard quantitative measures mentioned previously. Work by Hopkins (2003) that tried to measure the share prices of companies with a strong commitment to CSR showed only a weak correlation between CSR and improved share price.

The activities that organisations who purport to have a CSR focus engage in have been variously examined. According to Ashridge Centre for Business and Society (2005) CSR activities have been clustered into seven main groups

Leadership, Vision and Values, Stakeholder engagement, Marketplace activities, Workforce activities, Supply chain activities, Environmental activities and Community activities.

2.5.2 Stakeholder Management

The importance of stakeholders to the organisation and to the topic of CSR has been seen as a key theme of the debate (Freeman 1984) and Freeman's definition of a stakeholder as 'any group or individual who can

affect or is affected by the achievement of the organisations objectives' is now generally accepted as the standard definition of a stakeholder.

The spotlight on stakeholder groups focuses the imperative on stakeholder returns rather than simply shareholder and is premised on the notion that firms have a duty to society that goes well beyond simply maximising the wealth of shareholders or equity holders (Mackey et al 2007). This position was reinforced by Mitchell et al who contend that the interest of the organisations stakeholders should supersede those of the equity holders (Mitchell et al 2011) due to the often short term view taken by shareholders – a view supported by Handy (2002) who views shareholders as 'investors, even gamblers' who have none of the pride or responsibility of ownership and are only there for the money.

To appreciate the breadth of stakeholders we might view them as customers, suppliers, employees, communities, governments, investors (Freeman and Gilbert 1988), however there are a range of alternative categorisations that broadly fit this description with fewer or more numerous classes of stakeholder. Hopkins includes the 'Natural environment' in this list (Hopkins 2003) so moving us towards the triple bottom line of economic, social and environmental.

The guiding principles that govern organizational behaviour are defined by Freeman and Gilbert (ibid) in terms of values and suggest that the actions of individual and organisations are partly due to the values of these actors suggesting that success of the organisation is due in part to the choices and actions of the groups who have a stake in the business and that if we accept that the values of the organisation and its key groups are important in determining corporate action, so too are the values of the key stakeholders in understanding their interaction with the firm. This is reinforced by Mitchell et al (1997) in the suggestion that the broader view of stakeholders comes from the reality that firms can be affected by or can impact almost anyone.

Intrinsically and importantly within their work Mitchell, Agle & Wood (1997) explore the relationship that exists between the Power, Legitimacy and Urgency of stakeholder groups and organisation reaction. It is only when a stakeholder group has the ability to display all of the above characteristics would an organisation consider the stakeholder to be a “definitive stakeholder” (Mitchell, Agle, Wood 1997 p874)

The above is reinforced, although to a more limited perspective, by work done by Donaldson and Preston (1995) where they suggest that “...stakeholders are defined by their legitimate interest in the corporation, rather than simply by the corporation’s interest in them.” (Donaldson and Preston 1995) The relevance of legitimacy in stakeholder salience is an area that begins to trespass into the world of cognitive subjectivity and indeed can be based on organisational procedures and heuristical norms. Suchman (1995) defines legitimacy as a: “...generalised perception or assumption that the actions of an entity are desirable, proper and appropriate within some socially constructed systems of norms, values, beliefs and definitions.” (Suchman 1995)

Davies (1973) reinforces this aspect of legitimacy by suggesting that in the long run, those who do not use power in a manner which society considers responsible will tend to lose it (Davies 1973). This movement in stakeholder identification sees the organisation defining and creating its own interdependencies within its responsibilities towards those identified; a worrying aspect in relation to corporate governance, as highlighted in an American Law Institute report by Greenwald (1992). The report initially supports the view of “enhancing corporate profit and shareholder gain” however it consequently states, “...even if corporate profit and shareholder gain are not...enhanced, the corporation must abide by the law and may take into account ethical considerations and engage in philanthropy.” (Greenwald1992). A position that incorporates stakeholders expectations but runs contrary to Friedman’s view.

Expanding upon the above notion it is noteworthy to view that many of Friedman's exponents take a view of CSR as having some relevance and grudgingly accept three of the four concepts as laid down originally by Carroll, with the clear exception of philanthropy (Carroll 1996). One compelling argument against CSR actually put forward by Carroll (1996) is that historically business has migrated its costs of irresponsibility to society in their natural form i.e. pollution etc.

Performance of a business organization is not only determined by the financial stability of the organization, but also by the position of the stakeholders to the business, and how they perceive the impacts of the practices and activities of the companies to the community (Freeman, 1994).

The stakeholder theory is a managerial theory which focuses on the relationship between society and business (Freeman, 1984). It is supported by the assumption that, "Economic value is created by people who voluntarily come together and cooperate to improve everyone's circumstance" (Freeman et al. 2010). Creating and distributing value to different stakeholders is the foundation of the stakeholder theory (Freeman 1994). Although the main objective of the stakeholders is to obtain economic returns, today most stakeholders also want to implement other practices (Parmar et al, 2010). In fact, financial performance is fundamental for several corporate stakeholders, however it is not the sole aim to the majority of stakeholders (customers and communities in which firm operates) having a company that is capable to respond to market demands and changes in global market and organization have to focus on other dimensions . To fulfil this aim stakeholder must be aligned, so as to achieve the purpose of any firm which is symbiosis of economic and social welfare (Boutilier, 2007). Stakeholder theory plays a significant role in helping organizations maximize their profits, in the sense that they help stakeholders understand the role that they play in the organizations, and the returns they should get from the profits gained by the company.

Freeman, Harrison, and Wicks (2007, p.11) advocated that ethics and values questions are central to the expectations of stakeholders. According to these authors firms that assiduously strive to serve the interests of an extensive group of stakeholders are more likely to create more value over time.

There is a clear difference between the primary and secondary stakeholders (Carroll, 1989). Clarkson (1995, pp.106) argues that 'primary stakeholder groups typically are comprised of shareholders and investors, employees, customers, and suppliers, together with what is defined as the public stakeholder group: the governments and communities that provide infrastructures and markets, whose laws and regulations must be obeyed, and to whom taxes and other obligations may be due. Secondary stakeholders comprise a broader group with less direct involvement. Post et al (2002) define stakeholder as "individuals and constituencies that contribute either voluntary or involuntary to its wealth creating capacity and activities, and who are therefore its potential beneficiaries and risk bearers." Savage, et al., (1991) propose two attributes to identify a stakeholder: (1) a claim and (2) the ability to influence a firm which was called claimers vs influencers. By the same token Coombs, (1998, p.289) revealed that Stakeholders are classified by their "interest, right, claim or ownership in an organization".

One of the problems associated with stakeholder theory is confusion over its nature and purpose, is it a normative theory, instrumental or merely a descriptive management tool? Donaldson and Preston (1995) and Olsen (2004) give consideration to this. The instrumental case for stakeholder theory seems strong, and businesses appear to be able to exploit the ability of CSR and stakeholder theory to benefit both the company and wider society. Much of the discussion around a business case for CSR would seem to support the instrumentalist case. There are clear financial gains from CSR and eco-efficiency as noted by Bauer et al (2005). Even simple initiatives such as hotels asking guests to use towels more than once have clear financial benefits, reducing energy consumption not only

benefits the business, it also benefits society. Hart and Milstein (2003) quote 3M, who between 1975 reduced its total pollution by over 500,000 tons, and according to the company saved \$500 million. Porter & Kramer (2002) make a strong case between the branch of CSR and stakeholder theory that has been termed 'enlightened self-interest' and financial benefits to the firm. This instrumentality lends weight to the business case for CSR, and whilst many support this view, Donaldson and Preston (1995) are more sceptical. Their view is that stakeholder theory cannot be fully justified by instrumental considerations, although they do not suggest that there is no link, in fact they assert that there is a strong link, but that it is the normative basis for stakeholder theory that is strongest. They suggest a comparison between stakeholder theory and managing for shareholders only (the principal agent model) and cite the American Law Institute report 'Principles of Corporate Governance' (Greenwald 1992). Since that time, the USA has introduced the Sarbanes-Oxley act, which introduces prescriptive laws on corporate governance, and the recent UK company law reforms that now require companies to report not only on financial performance but also on performance regarding social and environmental issues.

Jones (1995) examines stakeholder theory from an economic perspective and he suggest that firms who contract with their stakeholders on the basis of mutual trust and cooperation stand to gain competitive advantage over those who do not. Jones logic is grounded in the fact that a firm is characterised by relationships with many stakeholders, that the firm contracts in different ways with each of these stakeholders and thus the firm can be seen as a 'nexus of contracts' (p.421). Jones goes on to say that managers are the contracting agents for the firm and that markets tend towards efficient contracting. The contracting process gives rise to problems such as agency, transaction costs and team production problems (Williamson 1985), collectively termed 'commitment problems'. Jones asserts that efficient contracting will be fundamentally impacted by the cost of solving these commitment problems. These commitment problems represent opportunism - self-interest with guile (Williamson

1985), hence firms that solve these commitment problems will gain competitive advantage over those who do not. Jones further asserts that ethical solutions to commitment problems are more efficient than mechanisms designed to curb opportunism, thus firms that contract on a basis of mutual trust will gain competitive advantage over those who do not. Further the competitive advantage that accrues may take the form of increased eligibility to take part in types of transactions that will be unavailable to opportunistic firms.

2.5.3 Stakeholder Salience

In order to identify what types of stakeholder really exists Mitchell et al. (1997) proposed a theory of stakeholder salience and they posit that stakeholders present three attributes (1) the stakeholder's Power to influence the firm, (2) the legitimacy of the stakeholder's relationship with the firm, and (3) the urgency of the stakeholder's claim on the firm.

Donaldson and Preston (1995), identified that stakeholder theory can be studied in four different perspectives. First it can be descriptive as it examines the organization's peculiarities, and driving behaviours, (Donaldson & Preston, 1995) several studies were conducted under the umbrella of this theory for example Clarkson (1991). It can also be managerial because can enable the organization to focus on its different components (Donaldson & Preston, 1995), by the same token it can be instrumental due to the fact that the consideration of stakeholders can take the company to positive financial and social outcomes as well as organizational learning and innovation. Stakeholder theory can also be normative as it enables the establishment of the purpose of the firm. Donaldson highlighted the normative aspect as the keystone for the stakeholder theory concept and this assumption lead the author to ascertain that "the ultimate justification for the stakeholder theory is to be found in its normative base. The plain truth is that the most prominent alternative to the stakeholder theory (i.e., the 'management serving the

shareholders' theory) is morally untenable." Donaldson and Preston (1995, p. 88).

Stakeholder theory has faced criticism from a number of writers due to the fact that it has an unverifiable hypothesis, and thus cannot be tested (Freeman et al, 2010). For instance, there is an assumption that it is a substitute to the, "Theory of the Firm", as it works as a bridge to help other business theories to emerge.

Freeman (1984) asks two fundamental questions. What is the purpose of the firm? And what responsibilities does the firm have to stakeholders. Stakeholder theory assumes that values are necessary and explicitly a part of doing business (Freeman et al 2004). Stakeholder theory also claims that regardless of the ultimate aims of the business, managers and owners must take into account the legitimate interests of those who can affect or be affected by the organisation (Freeman 1984). This is not to say that the interests of shareholders should be ignored, indeed shareholders form a key group of stakeholders in the firm, but stakeholder theory forces the business to pay attention not only to shareholders but also to non-shareholder groups. Stakeholder theory is concerned with who has input to the decision making process as well as who benefits from the outputs of such decisions. Philips et al (2003) note that this does not mean all stakeholders can or should be treated equally. Clearly some contribute more to the organisation than others, and some have a stronger claim over certain outputs than others. The task of managing the competing interest of stakeholders is a key task of management and the successful balancing of these competing needs is a fundamental aspect of stakeholder theory. This is seen as problematic by Jensen (2001) who notes that having more than one corporate objective is a recipe for competitive disadvantage.

Sundaram and Inkpen (2004) assert that shareholder primacy holds not because it is the de facto best way to run a business, but because it is the best among the alternatives available. They believe that as shareholder's

cash flows are purely residual claims on the business, only shareholders have an incentive to take an holistic view of the business, and that other stakeholders are interested only in the narrow area that directly affects them (however they go on to say that maximising shareholder value is in fact pro stakeholder). Handy (2002) firmly disputes this and whilst he acknowledges the fact that shareholders are owners of the business he asserts that in many cases they are merely investors – even gamblers, who share none of the pride or responsibilities of ownership. Freeman et al (2004) take a different position by pointing out that shareholders are stakeholders, indeed they are a key group of stakeholders. Ogden and Watson (1999) support this assertion and further note that companies practicing stakeholder management will, other things being equal, be relatively successful in conventional financial performance terms. Their examination of the privatized water industry in the UK suggested that, whilst there may be significant cost implications, firms can both enhance the interests of both its shareholders and other stakeholder groups simultaneously. They found a positive link between spending on customers services and shareholder returns.

Freeman (1984) notes the importance of not leaving out any relevant groups. He notes the importance of understanding who the stakeholders in the organisation are, and defining their perceived stake, then identifying the organisational processes used to manage the organisation's relationships with these stakeholders and the need for an understanding of the set of transactions among the organisation and its stakeholders. This is a theme followed up by Accountability (2005) with their stakeholder engagement standard which attempts to give a framework for achieving this. Both Freeman and Accountability believe that the overall purpose of stakeholder engagement is to drive strategic direction and operational excellence. They suggest that the process helps organisations by increasing their legitimacy, knowledge and values. Identifying the needs, expectations and perceptions of both internal and external stakeholders leads to sustainable competitive advantage by enhancing performance, identifying opportunity and developing

operational excellence (Freeman 1984) (Harrison & Freeman 1999). According to Phillips et al (2003) stakeholder theory is a theory of organisational management and ethics that addresses morals and values explicitly as a central feature of managing organisations.

Stakeholder management and engagement is the one universally accepted facet of CSR - at the heart of CSR lies stakeholder engagement. As noted previously, the generally accepted definition of stakeholders as given by Freeman (1984) is

‘Any group or individual who can affect or is affected by the achievement of the organisations objectives’

The usual groupings of stakeholders include, but are not limited to: Employees, Shareholders, Customers, Suppliers, Local Community

The new Accountability AA1000SES comes from a position that states that securing the right to be heard for people who are affected by or can affect an organisations activities, and obliging the organisation to respond to these concerns makes organisations perform better by increasing their legitimacy, their knowledge and values that are affirmed or created by the dialogue enhance their reputation and moral stature. For this to happen such rights and obligations must be established and enacted in a credible and effective manner. The AA1000 Stakeholder Engagement Standard provides a clear basis for doing this. According to Accountability, the overall purpose of stakeholder engagement is to drive strategic direction and operational excellence for organisations and to contribute to the kind of sustainable development from which organisations, their stakeholders and wider society can benefit by:

Learning – identifying and understanding the

- Needs, expectations and perceptions of internal and external stakeholders
- The challenges and opportunities identified by those stakeholders

- The material issues of internal and external stakeholders

Innovating

- Drawing on stakeholder knowledge and insight to inform strategic direction and drive operational excellence
- Aligning operations with the needs of sustainable development and with societal expectations

Performing

- Enhancing performance
- Developing and implementing performance indicators that enable internal and external stakeholders to assess the organisations performance

One issue that stakeholder engagement does raise is shown by organisations that engage heavily with their customers and allow customers and other close stakeholders to input into their strategy and to help inform what CSR means to the organisation. Would the profile of a typical customer of Co-Op bank bear any resemblance to a customer of BAe Systems (the arms manufacturer)? But surely if both follow the guidelines set out in AA1000SES they would both be seen as responsible businesses

2.5.4 Summary of Stakeholder Literature

Most writers suggest that an understanding of stakeholder theory is at the centre of CSR. And in order to successfully fulfil with this combination it is critical to put together and balance stakeholder interests and focus on constructions of a health trade-offs between economics and social good. Stakeholder theory suggests that creating and distributing value to a range of stakeholders is the main purpose of an organisations and that the working out of this purpose relies on the partnership between the organisation and the stakeholders themselves (Freeman, 1984). This

enables corporations to positively and effectively respond to the groups with whom they interact (Post, 1978).

2.5.5 Governance

One of the core elements of Carrols model are those of financial responsibilities and legal responsibilities. Many of the drivers of CSR have their origins in corporate financial scandals (Mirror Group, Poly Peck, Enron, Banking Crises) and the legislative frameworks in the UK (The Combined Code) and the USA (Sarbanes-Oxley) have been drafted as a result of governance failures. Governance is concerned with the structures and systems of control thorough which managers are held accountable to 'those with a legitimate stake in the organisation' (Johnson et al 2014, p113). There are two broad governance choices – a shareholder approach where the interest of the shareholder are prioritised and the stakeholder approach where a wider group of stakeholder interests are given equal attention (Johnson et al, 2014). In the UK (and USA) Public companies almost exclusively follow a shareholder approach to governance whereas Co-operatives tend to adopt a stakeholder approach to governance. The UK corporate governance code is a set of principles derived from a number of preceding reports and codes dating back to the Cadbury report of 1992 (Cadbury 1992). There have been constant revisions to the report and the latest revision and was reviewed in the aftermath of the financial crisis of 2008 – 2009 under the 'comply or explain' model where publicly listed companies are not obliged to follow the guidance but where they do not comply they are obliged to explain why they are not. Private companies, partnerships, cooperatives, mutuals and other organisational forms are not obliged to adhere to the standards set out in the code but as they are generally accepted as a definitive codification of best practice they are encouraged to conform. Table 2.3 notes the different forms of organisational structures available The code

adopts the approach of giving general guidelines of best practice in contrast with rules based approaches which rigidly define exact provisions that must be followed.

The recent history of corporate Governance in the UK is heavily influenced by corporate scandals and failures of the last 25 years and was a response to the failure of Polly Peck, BCCI and the Maxwell/Mirror group pension fund scandal. Initially the Cadbury Report was to concern itself only with preventing financial fraud but was extended to consider wider aspects of corporate governance. The final report of 1992 made the following three basic recommendations:

1. The role of CEO and Chairman of companies should be separated
2. Boards should have at least three non-executive directors (NEDs), two of whom should have no financial or personal ties to the executive
3. Each board should have an audit committee composed of non-executive directors

In 1994 these principles were incorporated by the London Stock Exchange and whilst companies were not obliged to comply they were obliged to explain why they were not.

By the mid-1990s public anger was growing over the levels of executive pay and specifically over the pay of top management in the privatised former public utilities and Sir Richard Greenbury of Marks and Spencer was tasked with examining executive compensation. The Greenbury report (1995) recommended that

1. Each board should have a remuneration committee composed without executive directors but possibly the Chairman
2. Directors should have long term performance related pay and it should be disclosed in company accounts

The Hampel (1998) report (conducted following Greenbury's recommendation that progress should be reviewed after 3 years) suggested that Cadbury and Greenbury should have their principles consolidated into a Combined Code that in 2012 became the UK Corporate Governance Code (Financial Reporting Council, 2012). This review of the code further suggested that two additional elements be added

1. The Chairman should be seen as the leader of the Non-Executive Directors
2. All remuneration including pensions should be disclosed

Table 2.3 gives an overview of the most common types of organisational structures with their associated governance paradigm

| Corporate Structure | Description |
|---|--|
| Private Companies Limited By Shares (Ltd) | These are companies owned by shareholders who enjoy limited liabilities and where shares are not publically traded. They are subject to lighter regulation than Plcs and adopt a shareholder approach to governance |
| Public Limited Companies (Plc) | These tend to be (although are not exclusively) large businesses whose shares can be publically traded. There are significant reporting and regulatory requirement on PLCs and they adopt a shareholder approach to governance |
| Company Limited by Guarantee | An alternative to Ltd often used in the non-profit sector. Members act as guarantors and agree to pay a small nominal amount in the event of winding up. Profits are not normally distributed amongst members but are used to further the aims of the Company. Tend to adopt a stakeholder approach to governance |
| Community Interest Companies | A development of the above however these companies have a very specific social or environmental focus and profits may not be distributed rather must go to furthering the social aims of the company. Adopt a stakeholder approach to governance |
| Mutual, Co-operatives, Industrial and Provident Societies (IPS) | These include Co-operatives and mutual societies. Mutual are organisations are run to gather funds from members in order to provide common services to members. Co-operatives come under the IPS legislation and are member owned for the purpose of achieving a social, environmental or economic aim. Tend to adopt a stakeholder approach to governance |

Table 2.3: Organisational Legal Structures

2.6 Reporting and Measurement

The next issues surrounding CSR is that of measurement. Sustainability Reports have become more and more common in the recent past (see figure 2.4). Almost all large businesses and MNEs now produce some sort of sustainability report. Olsen (2004) found that whilst reporting was becoming the norm, many are finding that their stakeholders are not particularly interested. Olsen identified that there are two key issues relative to social reporting, Materiality – ensuring that the reports are concerned with issues that the stakeholders find of interest, not a complete range of issues and Integration – the process of reporting should be built into the way that the organisation is run. One problem for the CSR movement is the lack of an agreed measurement framework. Whilst financial reporting systems are mature and are based on the Generally Agreed Accounting Principles, no such standards are available to measure CSR activities. The main options currently available are a combination of frameworks and measurements

Hopkins (2005) identifies the key frameworks as Global Reporting Initiative (GRI), Accountability (AA), FTSE4good, Business in the community (BiTC), Dow Jones Sustainability Index (DJSI), Business Ethics 100, and an examination of these shows that whilst they all have undoubted strengths there is no consistent methodology for the collection of data.

1. BiTC

The BiTC corporate responsibility index is a self-assessment survey that provides an annual benchmark of how companies manage measure and report their CSR. It examines 4 factors:

Corporate strategy.

How CSR is integrated through the business

Stakeholder management – community, environment, marketplace, workplace

Performance and impact – from a total of 6 impact areas 2 mandatory (global warming – energy & transport- and waste management) 2 from

a list including product safety, H&S, workplace diversity, human rights in the supply chain, and 2 self-selected impact areas.

The assessments are then collated by BiTC and published in an annual report. The report is open to all FTSE (100 & 250) companies, DJSI companies and BiTC members. One obvious weakness in the BiTC report is that as a self-assessment it is likely that companies that complete the survey will have reasonably strong CSR credentials. Those that do not have little or no incentive to take part in the index.

2. FTS4good

This index gives investors the opportunity to invest in companies meeting globally recognised CSR standards. Companies then must meet criteria related to

- Working towards environmental sustainability
- Developing positive relationships with stakeholders
- Upholding and supporting universal human rights

The FTSE4good excludes companies involved in the tobacco industry, weapons manufacturing, nuclear power and uranium extraction and processing. This raises an interesting issue for the CSR debate – who decides on the industry sectors accepted into the ‘club’, and questions of whether CSR should be an inclusive process encouraging all businesses, regardless of sector, to be the best they can.

3. DJSI

Since 1999, DJSI has judged companies on an externally assessed set of criteria and weightings. DJSI is again an exclusive index in that companies generating revenue from alcohol, tobacco, gambling, armaments or firearms are excluded from the index. Whilst there is some overlap between FTSE4good and DJSI, there are clearly differences in the sectors that are/are not considered as suitable for inclusion. The major source of information for DJSI is the SAM questionnaire which is

completed by companies taking part in the survey. SAM is a Geneva based sustainability consultancy with quality assurance provided by PWC. The criteria assessed are: Economic, Environmental and Social

4. Business ethics 100

Uses a series of measures devised by KLD Research (a Boston based consultancy) who note where companies have strengths and weaknesses in seven categories. In each category KLD notes where a business has strengths and areas of concern. For example a company might score 3 strengths for profit share, retirement benefits and employee involvement, however it might have 2 concerns for union relations and workforce reduction. The scores are then netted. Each category has different scales that are then standardized. Finally 'scandals' are taken into account. Firms are removed for accounting fraud or for losing money 2 years in a row as these are deemed to be incompatible with CSR practices. A view broadly supported by Carroll (1999) when he talks of the first priority of a socially responsible company being to remain profitable.

5. The AA range

This system provides a framework for organisations in a variety of CSR areas. It measures corporate accountability and provides a framework for the identification of key performance indicators by organisations by engaging with stakeholders. Indeed their new AA1000SES provides a comprehensive framework for stakeholder engagement standards.

6. GRI

The GRI provides a set of guidelines and a framework for reporting on the triple bottom line of economics, environment and society. GRI include indicators relative to the environment, community relations, employee relations, diversity and customer relations. Of all of the reporting systems

GRI is attempting to standardise reporting and accepts that whilst financial reporting has been the norm for almost a century, sustainability and CSR reporting are a relatively new concept and need further standardisation. GRI is attempting to develop the globally agreed reporting standard and as such positions itself as the leading global measurement system and numbers many of the world's leading businesses as members.

Whilst reporting is a major issue for organisations the lack of any single measure and the fact that many of the indices are self-assessed has meant a massive expansion in sustainability consultants who will independently audit the organisations credentials in much the same way that financial audits take place.

2.7 Organisational Culture

Any discussion of CSR must include a consideration of organisational culture – an important but often misunderstood element of organisations. Culture is often simplified to 'the way we do things around here' (Schein 1992) however what this actually mean is the organizational culture or the operating paradigm of the organisation. Making reference to the 'way we do things' indicates that there are:

“taken for granted assumptions and behaviours that make sense of peoples organizational context and therefor contribute to how groups of people respond and behave in relation to issues they face” (Johnson and Scholes, 2011; 168)

Organisational culture has several differing definitions with many being around definitions such as a collection of values, beliefs and traditions. The Oxford dictionary of Sociology classifies organisational culture as the characterisation of social relationships through norms, values and patterns of actions. Buchanan and Huczynski (2011) defined organisational culture as

“The collection of relatively uniform and enduring values, beliefs, customs, traditions and practices that are shared by an organisations members, learned by new recruits and transmitted from one generation of employees to the next”

The awareness of cultures that exist in an organisation could potentially help to manage the process of change (McCalman and Paton, 2008). Early identification in a project of the cultures that are presumed to exist could result in adaption of the methods of implementation. It has been written that organisational culture is brought into existence by a phrase that is heard in many organisations when people say ‘it is the way we do things around here’ (Deal and Kennedy, 1982). The literature written on this subject considers once the senior managers have an awareness of cultures that exist they can potentially use them to their advantage.

Johnson et al (2014) and Schein (2010) both offer guidance on the ways in which organisational cultures can be identified. Schein (2010) suggested a seven step approach made up of the following; define the problem, review the concept of culture, identify outward signals of culture, identify the organisations’ values, do a comparison of the values and the outward signals of cultures, repeat the process with other groups and then assess the shared assumptions. Johnson’s approach was to identify a cultural web (see fig 2.2) made up of organisational structures, power structures, symbols, stories and myths, rituals and routines and control systems and how these elements that make up the culture feed in to the paradigm at the centre of the web of the basic assumptions that drive the culture. Taking both of these frameworks it would provide managers to be able to perform an audit of the culture that existed within their organisation and assess the impact on change and identify potential difficulties in changing the culture.

Edgar Schein (1995) defined culture as the ‘basic assumptions and beliefs that are shared by members of an organization, that operate unconsciously and define in a basic taken for granted fashion an organisations view of itself and its environment.

Such assumptions act as a reinforcing mechanism, or positive feedback loop, which give employees a sense of how to respond to their work environment and to changes in it and help to signpost what is important to the organisation (Buchanan & Huczinski, 2011). Employees who choose to operate outside of the set of taken for granted assumptions are encouraged to change their behaviours to align with the organizational culture. Continued deviation from the organizational standards tends not to be tolerated and is likely to lead to conflict and often will result in the employee leaving the organization either by choice or by termination of contract.

There are different perspectives on culture. A unitarist (Fox 1974) view of culture suggests that a single organizational culture is the goal as more than one culture will lead to conflict and that this needs to be managed out of the system. A Pluralist view is that organisations consist of a range of sub cultures and that conflict is inevitable. This is not seen as a bad thing as long as it is managed.

2.7.1 Components of Organisational Culture

Schein (1995, 2010) suggests that culture can be viewed on four layers.

Values – these are often explicit and can be written down. One of the problems with values is that we often see a difference between espoused and enacted values – and this impacts credibility. Organizations' must ensure that espoused and enacted values are perfectly aligned.

Beliefs – these are more specific and can be identified by the view of staff on issues faced e.g. the belief that certain products or services should not be traded

Behaviors – these involve work routines and how work is controlled as well as softer behaviors and can give the basis of a people based

competitive advantage. He further identifies that culture exists at three levels within an organization

1. Artifacts consist of tangible, overt or explicitly identifiable elements in an organization. Architecture, interior design, dress codes, physical structures and ambience, all exemplify organizational artifacts. These are the visible elements in a culture that can be recognized and identified by people not directly associated with the culture or the organization.
2. Espoused values are the organization's stated values and rules of behavior. It is how the members represent the organization both to themselves and to others. These might be expressed in official documents or in public statements that highlight 'who we are and what we are about'. This might be encapsulated on a Vision or Mission statement. Examples of this would be the importance of team working, or a "customer first" mantra. If espoused values are not in line with the enacted values or with the general assumptions of the culture this misalignment is likely to lead to problems of credibility.
3. Shared Basic Assumptions are the deeply embedded, taken-for-granted behaviors which are may be unconscious, but constitute the essence of culture. These assumptions are typically so well integrated in the office dynamic that they are hard to recognize even from within and constitute 'the way we do things round here' noted previously and constitute the 'Paradigm' (or taken for granted assumptions) these are the core aspects of the organizations culture

Johnson and Scholes (2011 p176) suggest that this paradigm sits at the heart of the 'cultural web' (see Fig 2.2) of an organization and is made up of many other factors which include:

The rituals and routines which contribute to what is held to be important to the life of the organization. Behaviours displayed by employees and may include Award ceremonies, Training Programmes, Graduation Ceremony. These are an important part of the cultural web and we can

examine the routines that are emphasized, the behaviours that the routines encourage and the core beliefs that they reflect

The stories are those told by members of an organisation to each other, new recruits and outsiders. They typically have to do with successes, disasters, mavericks, villains and are devices for telling people what is important to the organization. We can examine what core beliefs do the stories reflect, how pervasive are they, are they about strengths/weaknesses/ success/failure/mavericks. They help us to identify who the heroes/villains are and the norms do the mavericks deviate from

The symbols are the objects events people or acts that help to create meaning (further considered as part of the discussion on Symbolic Interactionism in section 2.8.2). They often signify power and status, such as offices, badges of rank, colour of overalls. Many other elements of the web can be symbolic – e.g. the reward system.

The power structures reflect the distribution of power via influential groups in the organization. They emphasize sub-group expertise or levels of qualifications through which superiority over others is demonstrated

The controls give insight into the importance attached to the monitoring of critical activities in the organization and they show what these activities are

The structure refers to the roles, responsibilities and reporting relationships. They are frequently related to power structures and control systems and are often used to formalise relationships in terms of levels of organisational hierarchy.

Together all of these elements combine to give the Paradigm – or as Schein suggests the set of taken for granted assumptions of the way we do things round here.

Fig 2 2 The Cultural Web. Source: Johnson and Scholes (2011, p176)



There is a clear impact of CSR on the 'cultural web' both in terms of how the web impacts the interpretations of CSR by employees and in the way that CSR is embedded in an organisation. Those involved in the development of strategic direction must be critically aware of the 'web' and must take such factors into account when developing strategy. Failures to have this awareness are likely to lead to strategic failure in terms of strategic intent and embedding CSR in the organisation. This is likely to ensure CSR is never more than a bolt on to the organisation instead of a core activity (Smith 2004).

Organisational culture is a powerful agent in terms of the management of the belief in the importance of CSR. It should be readily apparent that corporate strategy and the development of strategic direction and CSR as closely interrelated (Crane & Matten 2010).

In summary, the culture of an organisation can either be a CSR enhancer or it can be a CSR inhibitor. The influence of the 'cultural web' and the normative paradigm, in terms of the 'way we do things in this organisation', must be taken into account when developing any organisational strategy but especially theories around a construct such as CSR.

2.8 The Role of Sense making

2.8.1 The sense making process

Within an organisation, certain key individuals will be instrumental in formulating and implementing a company's CSR policy. Hemmingway and Maclaggan (2004) assert that the values and motives of these individuals will have a significant impact on this process, and further question whether CSR is indeed corporate or does it reflect an individual notion of social responsibility. Moon (2001), quoted in Hemmingway and Maclaggan (2004) asks whether the motivation for engaging in CSR is always driven by some kind of self-interest.

If the concern of management is to maximise shareholder value then CSR might be seen as a reaction to the competitive environment and to the demands of various stakeholder groups, leading to CSR as an issue of corporate imagery – indeed they posit that CSR may simply be adopted to cover up the impact of corporate misdemeanour as was seen with Enron (Arnold and de Lange, 2004).

They continue to examine the issue of managers personal values, quoting the common threads of values, as espoused by Schwartz and Bilsky (1987) as concepts and beliefs about desirable end states or behaviours that transcend specific situations, guide selection or evaluation of behaviour or events and are ordered by relative importance, however they water this view down somewhat by asserting that decisions

are driven by a variety of personal values and interests in addition to the official corporate objectives,

They further ask if it might be psychological egoism that drives individuals to implement initiatives such as CSR, or is it merely the right thing to do which also happens to create competitive advantage.

That individual personal values are important is clear (Hemmingway and MacLagan, 2004, Reilly and Ehlinger, 2007), however the issue of managers exhibiting their personal values through the exercise of managerial discretion and its impact on CSR are examined by Hemmingway and MacLagan (2004). They identify three types of discretion, formal, unintended and entrepreneurial. Formal discretion is where one is explicitly given the authority to use judgement within broad guidelines, unintended discretion would occur in situations where ambiguity is high or there are conflicting demands and entrepreneurial is displayed where organisational constraints are ignored and decisions made. The link is made between all three types of discretion and CSR is due to the relationship between CSR and personal values where there is agreement over many of the issues of fact, but huge disagreement over the priorities.

They question fundamentally if social responsibility is indeed corporate and note the difficulties surrounding ownership of a value and ask if a value can be attributed to an individual or the organisation. Agle and Caldwell (1999) note the different levels of values – individual, organisation, institutional, professional, societal, global etc. They suggest that there are difficulties in establishing whether values are personal or organisational, and ask if the alignment of personal and organisational values is a result of personal, rational choice or some form of dissonance reduction where individuals change their beliefs to and values as a necessary part of resolving organisational value conflicts.

In their paper Making Sense of CSR, Cramer, Jonker and van der Heijden (2004) examine the process of sense making and developing meaning of CSR. They use the language of Karl Weick where he asserts that sense making is about such things as placement of items into a framework, comprehending, dealing with surprise, constructing meaning and trying to gain mutual understanding. They assert that CSR offers a framework and reflexive process in which people can construct meaning. They use the context of the CSR initiatives in the Netherlands. They found that CSR is more easily adopted by top managers than by line managers and their personnel and that line managers usually focus on their day-to-day performance and the financial bottom line. Indeed they found that line managers wanted to know what they were expected to do and what the specific merits of CSR were for their business. They quote the example of an airline that began a project within a business unit however it was never fully implemented as the unit manager did not recognise the relevance when looking at the targets that the company gave to him (this will be considered in chapter 3 and in subsequent chapters with the introduction of the 'CSR matrix'). They identify the central role in the process of change agents and leaders and note that these people have a vital role to play in giving line managers clues as to how to translate ideas in order to contribute to the CSR agenda. The importance of change agents was noted and their role in the airline case might be seen as CSR Champions a role similar to the change agents identified by McCalman and Paton (2008). They note that the line managers needed to be convinced of the benefits of concrete action within the context in which they operate. They were interested in practical measure and instruments that could be implemented within their scope of interest. They observed the importance of the change agent in the sense making process and how the change agent starts the CSR process according to their own interpretation of CSR, which is usually shaped by the context within which they operate. In the Dutch programme they noted that as most of the companies culture was pragmatic, the change agents felt the need to translate the abstract multi-interpretable concept of CSR into very concrete language thus giving way to dedicated actions

that fit a particular situation. They assert that language can be explicitly and deliberately used as an instrument to promote and foster the change necessary to develop a contextual meaning to CSR and that this sense making process is a messy one.

Cramer, Jonker and van der Heijden (2004) suggest that the research showed that making sense of CSR required choices are 3 levels

- A) Principles – how an organisation finds a sensible balance between the 3Ps (People, Profit, Planet), and which principles can be applied to weigh one pillar against another
- B) Process – how the organisation shapes CSR through management systems, organisational arrangements and steering concepts
- C) Results – the concrete results a company achieves

The paper examines the linkage between sense making and actions – noting that people obviously know what needs to be done, but – armed with that knowledge – don't always do it. Finally they conclude that sense making is based on five interlocked sub processes namely a perceived and agreed sense of necessity or usefulness derived from a variety of cues, an (implicit) sense of direction (e.g. improvement) leading to 'satisfaction', People engaged in the sense making process need to have a sense of capability regarding the execution of the process and its possible outcomes. Once the outcomes are achieved, there needs to be a sense of contribution regarding the priorities and choices to be made and there needs to be a sense of accommodation given to the messy process of sense making termed by them as 'equifinity' – where a common understanding is achieved.

Subsequent papers (Cramer et al 2004) identified that for participants three pre-conditions turned out to be of major importance in the implementation of CSR

1. The commitment of top management
2. Manpower and money
3. Sufficient support throughout the organisation

They again note the importance of change agents to the implementation process and suggest that the Dutch companies went through a four stage implementation process.

1. Sensitising – becoming receptive to CSR leading to a level of awareness. This introductory phase tends to be incremental and the process is determined by key individuals who interpret the relationship between the organisation and its environment. This suggests that the assumption that the process is guided by some overall concept of what CSR means within the organisation right from the start is false, and that these individuals are themselves trying to develop a detailed understanding of the concept as a whole whilst trying to implement the bits and pieces that they deem relevant.

2. Discovering – experimenting through small initiatives and concrete projects via a dedicated change agent. The change agent acts as a broker who continually translates some diffuse general concept of CSR into suitable organisational language and actions related to the nature and culture of the company.

3. Embedding – linking CSR in with structural and system aspects of the organisation. They found that this led to the need for more management systems (EFQM, Balanced Score Card etc.) and at this and the following stage economic drivers become more important.

4. Routinising – linking CSR to the organisations core competencies.

This process is similar to the Nonaka (1990) SECI process of Socialisation, Externalisation, Combination and Internalisation or the subsequent 4i Process (Crossan et al 1999) Intuiting - subconscious process of learning that occurs at a personal level, Interpreting - sharing the learning at the group level, Integrating - collective understanding at the group level and moving it to the organisational level and finally Institutionalizing – where the learning is embedded in systems structures and routines

They observed that the role of the change agent changes over time as the organisation moves through the 4 phases and that the organisational drivers similarly differ with the different phases. They further assert that fully fledged implementation requires a full repositioning of the initial change agents and the roles they perform. One of these roles may be to ensure that the organisation does not get stuck in one phase (phase two seems particularly prone to this) and lose momentum.

In their paper Whistling in the Dark (Roome & Jonker 2005) examine the concept of CSR from a sense making perspective based again on the theoretical framework of Weick (1995). They posit that the view people have of reality is not fixed but instead is reconstructed daily on the basis of fundamental assumptions, and that people construct their world every day on the basis of social-symbolic interaction. Weick (1995) argues that sense making consists of placement of items into a framework, comprehending, redressing surprise, and constructing meaning interacting in pursuit of mutual understanding. Often CSR represents a new or complex situation (Roome & Jonker 2005) and that when people are confronted with a new phenomenon they try to relate their current experiences to comparable situations in the past in order to make sense of what is happening – so they try to make sense of CSR by creating their own frame of reference in which they can construct meaning as employees and stakeholders do not really know how to deal with the notion of CSR and find much uncertainty and ambiguity around it which

according to Weick . There is a strong reflexive element to what is a very interpretative process. Again they stress the importance of a change agent in the process, who acts as a broker who continuously translates the general concept of CSR into language that fits the organisation or department in question

2.8.2 Retrospective Sense making

Weick (1995) distinguishes four ways in which meaning is created

1. Arguing – convincing each other through argument
2. Expecting – interaction between people on the basis of self-fulfilling prophecy
3. Committing – carrying out activities aimed at creating involvement
4. Manipulating – carrying out activities aimed at changing the situation inside and outside the organisation to correspond with own insight or wishes.

Weick believes that if people want to share meaning then they need to talk about their shared experience in close proximity to its occurrence and hammer out a common way to encode it so constructing shared meaning for a shared experience, this suggest that the process is a retrospective process carried out after the instance has happened and sense is then made of it.

Roome and Jonker (2005) conclude that the process to create a shared frame of reference for CSR is tailor made for each organisation; however they assert that general patterns can be recognised in the process of sense making. The mental implementation tends to start with management realising that CSR can be of importance and appointing a 'change agent' The first step appears to be the translation of the general concept of CSR into concrete actions prioritises according to risk and promise. The second step of the change agent is to get the implementation of the selected issues off the ground – generally the change agent will carry out a pilot or ask opinion of people within the

organisation before actually introducing the actions and learning from the success or failure of any actions taken. They question what determines success or failure of implementing CSR and note the importance of context specificity; however they do note some general points that influence the process. The general points are the importance of a pragmatic approach to adapting CSR to the culture of the company culture and its way of working and communicating, the commitment and conviction of key players in the organisation, leadership of the process and the involvement of competent people, the level of momentum gained, the timing and mechanisms to ensure that everyone cooperates. They suggest the following rules for implementing CSR

1. Start the implementation process of CSR in a pragmatic step by step way
2. Adopt an approach that is closely attuned to the company culture and the way of working and communicating
3. Appoint one or more competent and communicative change agents that coordinate the process and are able to translate the general concept of CSR into a language that is understood
4. Ensure board level commitment and leadership of the process
5. Consider CSR as a cyclic continuous improvement process in which monitoring and reporting are an important part
6. Be aware of the importance of keeping CSR simple and attune actions to the motivation and experience of the groups people in the organisation that need to be involved
7. Ensure that the various actions are well coordinated and coherent
8. Strengthen the corporate identity and value of the organisation by actively communicating internally the mission, strategy and results gained by implementing CSR

They conclude that general rules or scenarios are difficult to derive from the current theory on sense making as it does not give enough basis to connecting the tailor made approaches with the factors that determine successful implementation. Weick (1995) does not suggest what

constitutes 'sense', does not describe its operation nor does he explain how emotions fit into the equation.

Lindgreen et al (2010) used multiple cases to examine how sense was made in Latin America of CSR and the social strategies that stemmed from CSR activities in Columbia and how the sense making process helped to identify the activities that the organisations should engage in. These activities were determined by senior managers who decided on the activities to engage in and indeed to decide whether or not CSR should be a strategic theme to involve in. Lindgreen (2010) found that the organisational paradigm was around helping to improve conditions in Columbia and that the process was heavily influenced by 'partner' organisations that the businesses concerned formed alliance with. Lindgreen in a further collaboration with Maon (2008) suggested that the processes that underpin the prioritization and integration of CSR into an organisational goals and identified that managers evidence a function based understanding of the meaning of CSR so ways of managing the process was desirable to ensure that agreement could be reached. In common with Cramer, Jonker and van der Heijden (2004) they suggested that a CSR champion might help in this process as would a CSR committee to ensure that a structured approach to CSR might develop. Maitlis (2005) provides a possible framework for this when suggesting a four fold set of options for sense making dependent on the levels of organisational 'sense-giving' and the degree of stakeholder involvement (Maitlis 2005 p 32). Maitlis examined organisations in a state of change and suggests that the sense making process can be influenced by the organisation (through their leadership) or a wider range of stakeholders (which includes friends and family as well as colleagues and customers). The more input from the organisational leaders the more guided the sense making process whilst a heavier influence from a wider group of stakeholders led to fragmented sense making. Guided sense making resulted in a more unitary and rich account of the processes needed to ensure success in the change process from which a set of consistent actions emerged whilst fragmented sense making resulted in multiple narrow accounts from which a set of inconsistent actions emerged

2.8.2 Symbolic Interactionism (SI)

SI is based on three premises. Firstly people act towards things on the basis on the basis of the meaning that they have for them. This includes physical objects, people, institutions and guiding ideals (Blumer 1969). Secondly the meaning of such things is derived from or arises out of the social interaction that we have with the others and thirdly this meaning is handled in and modified through an interpretative process used by the person dealing with the encounter. SI does not regard meaning as emanating from the intrinsic makeup of the thing that has meaning or from a coalescence of psychological factors in the person, rather is sees meaning as arising in the process of interaction between people. Thus SI sees meaning as social products – as creations that are formed in and through the defining activities of people as they interact. The third premise - that interpretation should not be seen as the unthinking application of established meaning. The use of meaning by the actors occurs via a process of interpretation by a) identification of the things that have meaning and b)selecting checking suspending and transforming meaning in the light of the situations in which s/he is placed and the direction of their actions. Interpretation is therefore a formative process in which meanings are used and revised as instruments for the guidance and formation of action via a process of self-interaction.

Human groups are seen in terms of SI as consisting of humans who are engaged in action. Groups or societies engage in action. Culture is derived from what people do and structure e.g. social position, status etc. is derived from how people act towards each other. Group life necessarily presupposes interaction between group members so a society consists of individuals interacting with each other. SI recognises social interaction to be important and social interaction is a process that forms human conduct. It is not merely a means of or a setting for the expression or release of human conduct. People in interacting with one another must take into account what each other are doing and they are forced to direct their own conduct or handle their situations in terms of

what they take into account – thus actions of others are positive factors in the formation of conduct. In the face of actions of others we may abandon an intention or purpose, revise it, check or suspend it, intensify it or replace it. The actions of others impact what we plan to do may oppose or prevent such plans, may require revisions of such plans and may in fact demand a very different set of plans. The actions of others have to be taken into account and cannot simply be thought of as an arena for what one is disposed to do or sets out to do.

Non symbolic interaction involves responding to the action of others without interpretation and is noted for example in the reflex reaction of a boxer in raising his arm against a blow. If however the boxer realises that the blow is a foil designed to trap him and that actually the real blow is being disguised. This involves an element of reflection and therefore SI as he tries to ascertain meaning from the blow. We engage in plenty of NSI as we respond to body movements, expression and tone of voice but usually we are seeking to understand the meaning of each other's action. Meade sees SI as a presentation of gestures and a response to the meaning of those gestures. Cues, gestures, requests and orders give clues to the forthcoming action that the person who presents them intends. The responder organises the response on the basis of what the gestures mean to them. When the gesture has the same meaning to both of them they understand them.

In terms of SI the world that exists for people and their groups are composed of objects and these are produced by SI. Objects can be physical (a chair), social (students, friends) or abstract (moral principles, CSR, doctrine). The nature of an object consists of the meaning that it has for the person for whom it is an object. An object can have different meaning to different people for example a statue will have different meaning to a historian, a tourist, a sculptor so the lens becomes important. The meaning of objects for a person derives fundamentally out of the way they are defined for him by others with whom he interacts. Objects are thus social creations and have no fixed meaning except as their meaning is sustained via indications and definitions that people make of them. Individuals can also recognise themselves as objects of

their own actions e.g. they can recognise themselves as a student or as a doctor. This allows us to interact with ourselves.

This is not to suggest that there is no objective reality. It is wrong to think that the empirical world exists only in terms of images or conceptions of it and that reality must be sought in images and conceptions independent of an empirical world. Such a solipsistic position is untenable because the empirical world can 'talk back' to our picture of it in the sense that it can challenge or resist our images or conceptions of it. The empirical world has an obdurate nature that needs to be accepted and recognised. That said the nature of the empirical world is continuously recast by new discoveries. It also suggests that people live in three realities – a physical objective reality, a social reality and a unique reality.

2.9 A Critical Approach

Freeman and Liedtka (2008) take a more radical position in their paper *Corporate Social Responsibility: A critical approach*. Where they assert that Corporate Social Responsibility is not a useful idea at all and idea supported by Sunderam and Inkpen (2004). Fundamentally, they believe that as the origins of CSR and its history are based on economics and do not take into account such issues as history, religion and culture thus it is a fundamentally questionable construct. Whilst these authors may not at first sight seem likely allies of Friedman (1970) in the belief that shareholder interests must be the key drivers for all investor owned firms their final position is very similar. They assert that much of the argument stems from the belief that capitalism is an immutable system with socialism positioned as its alternative; however they ask if anyone can really believe that the pursuit of self-interest (Williamson 1985) has culminated in the common good? The belief that the alternative to capitalism is socialism is challenged with the suggestion that a better form of capitalism might evolve. The problem with capitalism in their view is summed up in the *Tragedy of the Commons* (Hardin 1968) where Hardin posed the problem of a common grazing area in a village that if

everyone pursues self-interest and grazed their cattle, would be destroyed. Freeman and Liedka (2008) believe that a pre-condition for linking corporations and the 'good society' is a willingness to enter into the conversation about what a 'commons' sensitive view of capitalism might look like. They assert that CSR is inherently conservative, starting as it does with the standard received idea of the corporation as essentially and primarily an engine of economic production and distribution based on hierarchy and command & control – and that to fix it one need only add in some CSR and 'stir'. If organisations start from the position that humans are complex creatures with aspirations that they want to realise and that organisations can be used by these people to realise these aspirations then a separate 'social responsibility' is not needed. They further assert that CSR promotes incompetence by encouraging managers to make decisions about issues beyond their expertise, and use the examples of public sector reforms. In this example, business managers and their politicians are trying to constantly privatise the public sector, by assigning management expertise understood as 'economic logic' They believe that well-meaning managers turn social programmes into corporate strategies, subordinating the needs of external constituencies to the needs of corporation.

The subject of language is examined by them with specific regard to the language of 'rights' and 'responsibilities' They are unhappy with this language as they believe that a focus on rights and responsibilities as an end point of the discussion is helpful only in a world where we can reach some level of consensus around that allocation. The problem with this view is the suggestion that rights and responsibilities are fixed and knowable and like some sort of pie, can be cut into slices and distributed, some to government, some to producers, retailer's consumers etc. They believe that this is such an oversimplification that it is of no use to the debate.

Freeman and Leidka (2008) suggests a new language to replace that of traditional CSR and put their proposals into 3 propositions

1. The Stakeholder Proposition – corporations are connected networks of stakeholder interests. This proposition makes suppliers, employees and customers (among others) legitimate partners in dialogue
2. The Caring Proposition – organisations are places where both individual human beings and human activities engage in caring activities that are aimed at mutual support and unparalleled human achievement. This pushes beyond the language of rights and responsibilities and focuses on the ethic of care, recognising needs and affirming not only the self but its linkages to others
3. The Pragmatist Proposition – that organisations are merely the means through which human beings are able to create, recreate, describe and re-describe their visions for self and communities. This proposition sees self-creation and community creation as two sides of the same coin, and that individual and community good are not mutually exclusive.

2.10 Contextual Differences

Matten and Moon (2008) explore the above concepts relating to the aspects of CSR between the USA and Europe and their respective positions towards society. The relevance of this research can be viewed within the suggestion as to the reasons why European organisations expend significantly lower philanthropic contributions than their USA counterparts.

They also contend that explicit CSR, and enlightened self-interest, is a concept which is simply not programmed into the psyche of the European organisation, as the working practices and regulations tend to benefit employees and society through legislation born from implicit CSR (see 2.1.7), that of rules, regulations and norms (Tschopp 2005). To this extent it justifies the position in relation to why the USA seems to be far more comfortable with the concept of explicit CSR in comparison to the European position. However, via his study entitled “Corporate Ethics, Governance and Social Responsibility: Comparing European Business

practices to those in the United States.” Hurst (2004) contends that indeed European organisations are more highly committed to the CSR process than their American equivalents but paradoxically lack the commitment towards corporate governance that is shown across the Atlantic. However Hurst (2004) continues in his defence of the European position by stating that “Europe is taking the right approach by continuing to raise the bar on CSR policies while also adopting many U.S.-style governance regulations...”

In context, it is clear to draw the comparison that Hurst does in relation to the corporate scandals that have taken place on both sides of the Atlantic i.e. Enron in the U.S and Parmalat in Europe, however he summarises as follows, “Europe is now the one looking across the Atlantic to benchmark policies that can help make their companies regain the public trust.” (Hurst 2004)

Although there is a measured gap between the altruism of the USA and the perceived parsimony of European organisations it should also be noted that the wider European regions are explicitly involved within the Fairtrade/ethical trade organisations which support global community development.

Within the deeper context of comparison between implicit and explicit CSR, it is noteworthy to accept that implicit CSR is a reaction of the organisation to the environment in which they trade. However, explicit CSR is a reaction to a determined strategy laid down by the organisation in essence to aid competitive advantage within their trading arena (Porter & Kramer 2006).

In this scenario the position of explicit CSR is in opposition to the viewpoint as laid down by Friedman (1970), the view taken by Levitt (1983) and that of Carr (1996). Within this context Friedman (ibid) especially argues that, any such benevolent donations are an economic loss to the business and essentially it is not within the remit of managers to make decisions that negatively impact on the stakeholders of the organisation.

However, Porter and Kramer (2003) argue that via donations and therefore explicit CSR, a company can redefine its competitive context,

bringing social and economic goals into alignment and dismissing the cornerstone of Friedman's argument. By aligning these two areas Porter and Kramer (2003) consider this position to be truly strategic, a position which is supported by Lantos (2001). Lantos (2001) argues that as organisations are now larger and more influential within society; their very definition must be readdressed to take account of their organic development within and responsibility towards society. However, to note the concept as advocated by Lantos (2001), stakeholder acceptance/rejection of altruistic positioning is based purely on their own personal cognitive conditioning and rationality towards the concept as a whole (Barnett 2007).

2.11 Literature Review – Reflection

This chapter has considered a range of literature relevant to CSR. It began by considering the evolution of the concept and of the definitions and then considered the more recent categorisation and constituent parts of CSR. The business case and the different approaches to measuring CSR – quantitative and qualitative were considered. Quantitative measures were identified as being difficult to correlate to CSR as it is difficult to disaggregate them from other organisational activities and qualitative measures are more commonly used. That is not to suggest that qualitative measures cannot be useful and continue to be used by many organisations to justify and explain the benefits of their activities. The range of options for reporting were examined and the key frameworks were considered. Culture and Sense making were examined and the ways that the sense making process is undertaken and how individuals use objects to translate difficult constructs into something meaningful through the process of Symbolic Interaction. The chapter gave a review of the more critical perspective on CSR and the view that CSR is not an activity that organisations should be engaged in as it is beyond their sphere of expertise before a final examination of the contextual differences and their impact.

2.11.2 CSR Timelines

As we saw in section 2.1.2 the idea of CSR can theoretically be traced back to the 18th Century with Adam Smith's notion of the Invisible Hand equating broadly to the modern notion of Enlightened Self Interest giving a more instrumental and utilitarian view of the construct. This compares with Kant (1785) and his Categorical Imperative with its normative and deontological view on ethical behaviour and subsequently to the Victorian paternalistic capitalists and Co-operators in places such as Bourneville and Rochdale (Crane & Matten 2010). The modern evolution of CSR has developed both in terms of its focus and its links to the strategic objectives of the organisation as outlined in Figure 2.3. We can see the concept move from Friedman in 1970 where there was no sense of any alignment to strategy or to the function of organisations via Carrols (1979) hierarchical view of CSR through Freeman's (1980) utilitarian perspective as incorporated into stakeholder theory to Drucker (1984) and the modern beginnings of Enlightened Self Interest which began the more strategic view of the topic and this is brought up to date by Porter and Kramer with their notion of Shared Value where competitiveness is enhanced whilst societal value is increased directly by the application of the organisational core capabilities to the communities that it serves.

Figure 2.3 The Evolution of CSR

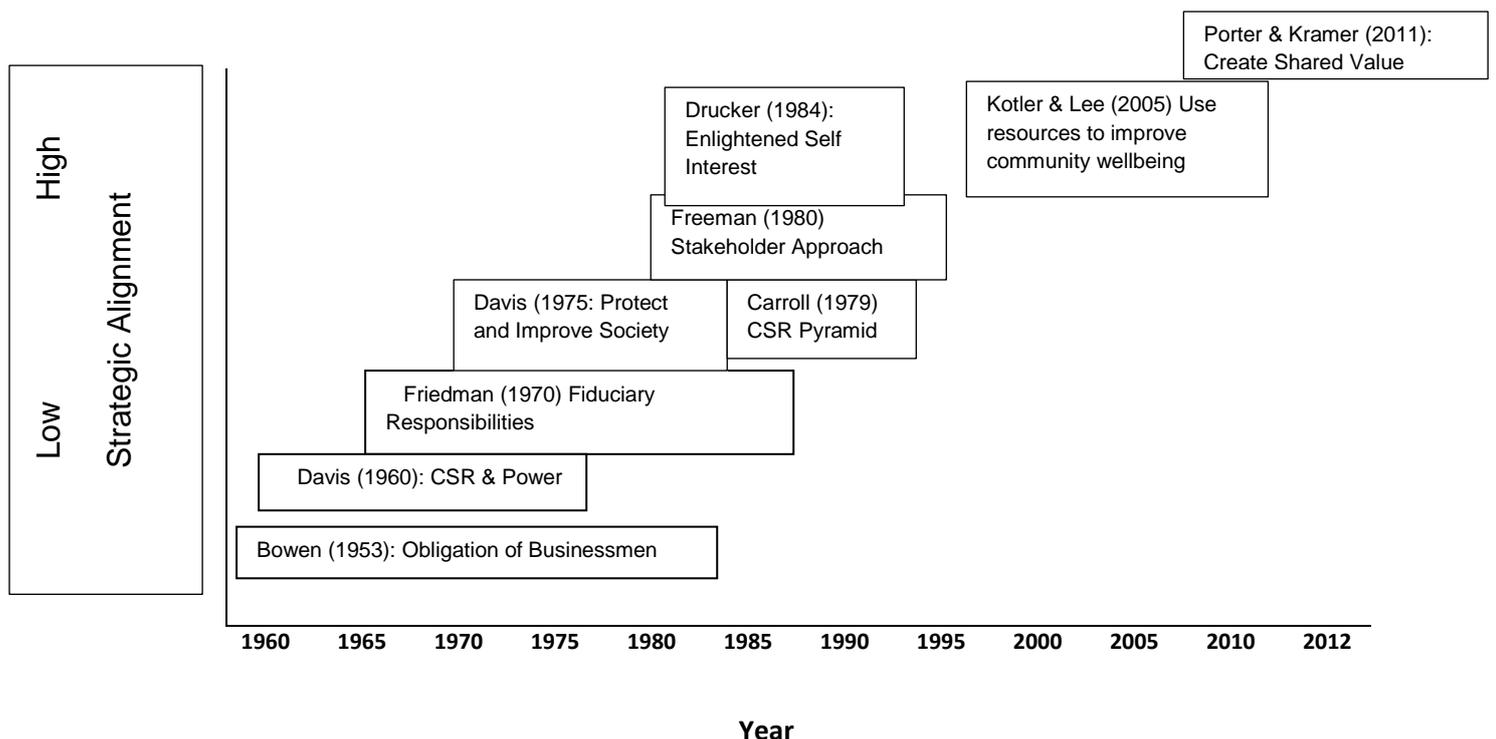


Figure 2.3 shows that as time has progressed there has been a much more strategic view in the literature in the way that CSR is conceptualized and this has corresponded with changes in the way that it is reported Figure 2.4 shows the growth of these over the last 20 years

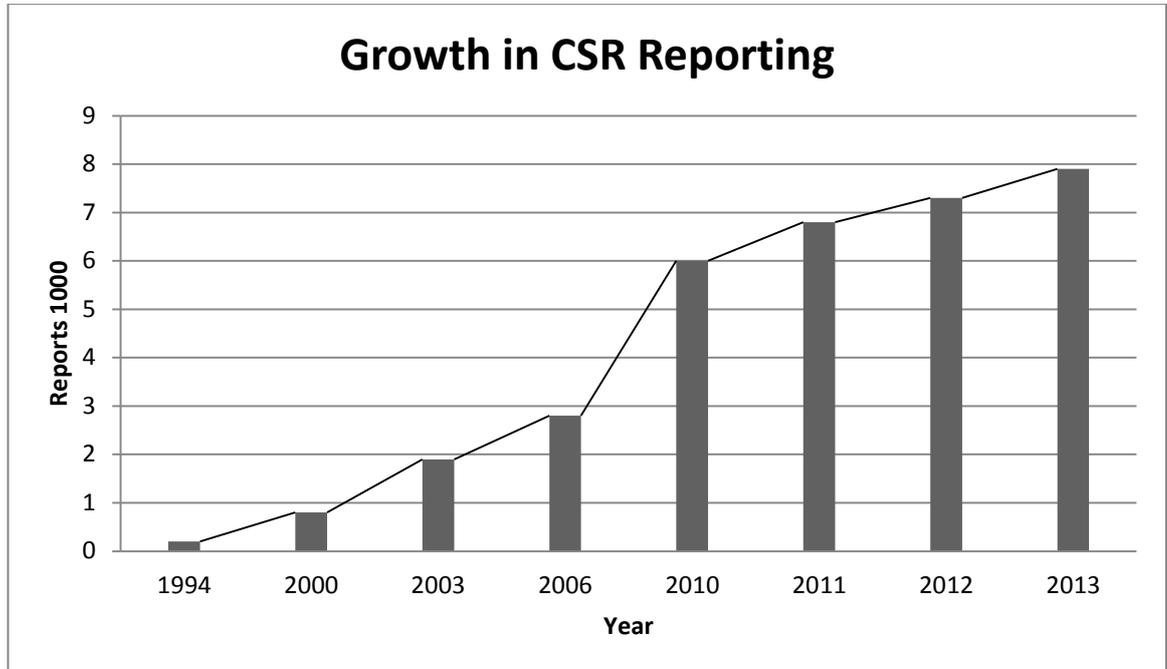


Figure 2.4 The Growth in CSR Reporting Source (CRRRA 2014)

The growth in reporting can be linked back to the proliferation of frameworks as discussed in section 2.6 where the most popular measurement frameworks are GRI and the AA framework due in part to their endorsement by the UN Global Compact (Tschopp & Huefner 2015). The concept of CSR is not without its critics and whilst the extreme Friedman (1970) perspective may be less universally accepted as was previously the case and that the notion of enlightened self-interest might be seen as no more than 'business as usual' (Bone 2012) there have been questions asked of the value of CSR to the organisation and of the legitimacy of unqualified managers making decisions that impact stakeholders much more widely than their functional training would permit. Additionally the economic basis of much of CSR has been challenged (Sunderam and Inkpen 2004) as it is viewed as a very narrow perspective on organisational impact thus making it a questionable

construct. Much of the criticism of CSR stems from the notion of CSR as a 'bolt on' on to organisations (Dowling and Moran 2012) suggesting that it is simply an 'after profit' activity and does not link to the culture strategy of the organisation and as such amounts to little more than 'greenwashing' – the process where organisations promote the notion that their products, services and values are have CSR at their core despite there being little or no evidence of this except at a very superficial level (Ramus and Monteil 2005). An often quoted example of Greenwashing is tobacco giant Philip Morris' spending \$100m to promote \$75m of charitable donations (Porter and Kramer 2002) Further criticisms ask how constructs such as CSR can be measured if they cannot be defined (Gjolberg 2009). Critics further assert that as the origins of CSR are steeped in economics this leads to a very narrow conceptualisation of the topic and that the role of history religion and culture need to be understood and incorporated (Freeman and Liedtka 1991). Until the recession of 2008 and the subsequent questioning of the nature of capitalism by Porter and Kramer, much of the CSR debate seems to accept the rhetoric of Milton Friedman – that corporations are only profit maximisers. While this may be the case in many instances it is not necessarily universal and there are many instances where profit maximisation is not the only driver of businesses e.g. The Body Shop, however the framing of the debate around the economic argument would appear to reinforce this belief. Further – until Porter and Kramer began the discussion the dominant logic in much of the literature was that capitalism in its European/North American format was the only option that was available and that there was no other viable economic system. This again reinforced the economic basis of CSR and the received wisdom that as there are no other alternatives society must live with the system and try to 'fix' the externalities and unintended consequences (Crane and Matten 2010, Freeman and Liedtka 1991). Additionally critics of CSR argue that managers are trained to manage organisation and not to make decisions that are best left to politicians and the NGOs who have responsibility for taking decisions about social and environmental sustainability (Friedman 1970, Sundaram & Inkpen 2004).

Despite these concerns there is much support for the notion that organisations that have a strong sense of values and significant reputational capital generally outperform and outlive their rivals (Dowling and Moran 2012, Collins and Porras 2005) and as such the importance of CSR has grown in the years following the second world war. This is not to say that it has proved to be a solution to all of the worlds economic problems nor has it prevented a range of corporate scandals or the banking crisis that created the global recession of 2007 – 2003 however that it has become a central issue for organisations is evidenced by the growth in adoption of the policies and language of CSR and in the growth of organisations measuring the impact of CSR (CRRRA 2012).

The evolution of CSR as a construct was considered in Tables 2.1 and 2.2 and from them we can see the dynamic nature of the construct. To complete this chapter Table 2.3 below gives a summary of the timeline of CSR, notes the key events and developments that link the literature and frameworks to the key social events and institutions that influence and guide CSR in the early 21st century.

Table 2.4 The CSR Timeline

| 1945 – 1969 | |
|---|---|
| Trends | Events |
| The development of the business and society debate. Period of upheaval in the West with significant social changes. Shift from loyalty to employer to loyalty to ideals. Decline of the rigid class system and questioning of old values. Birth of the social responsibility movement. During this period there was a generally normative view of CSR as embodied in the key published works with a focus on the responsibilities of leaders, | Books & Papers 1953 – Bowen: The Social Responsibility of the Businessman 1960 – Davis: Corporate Social Responsibilities of Businesses 1960 – Frederick: The Growing Concerns of Business Responsibility 1962: Carson: Silent Spring (often credited with launching the environmental movement) 1968 – Hardin: The Tragedy of the Commons |
| | Social & Political Factors 1964 – Civil Rights Act Passed in USA 1966 – International Covenant on Economic, Social and Cultural Rights adopted by UN 1968 – Club of Rome study on social, environmental and economic impact of business 1969 – Friends of the Earth formed |



Table 2.4 (Continued)

| 1970 – 1980 | |
|---|--|
| Trends | Events |
| <p>This period saw a shift from the responsibility of leaders and ‘businessmen’ to that of the organisation and the debate around CSR began in earnest with opposing views of the legitimacy of CSR and of the impact of irresponsibility. This period saw the arrival of ratings and indices for social and environmental performance. The nature of responsibilities changed and corporate social responsibility as a management practice emerged as did the understanding of the interplay between economic, legal, ethical and discretionary activities. Both the United Nations and the Organisation for Economic Co-operation and Development (OECD) began to codify the responsibilities of businesses and transnational corporations. Inflation and unemployment rose bringing economic uncertainty and employee militancy grew culminating in the UK with the ‘winter of discontent’</p> | <p>Books & Papers 1970 – Friedman: The social responsibility of business is to increase its profits 1973 – Davies: The Case For And Against the Business Assumptions of Social Responsibility. 1979 – Carrol: A Three-Dimensional Conceptual Model of Corporate Performance’</p> |
| | <p>Social & Political Factors. 1971 – US Committee for Economic Development report Social Responsibilities of Business Corporations launched 1975 – Vietnam war ends 1976 – OECD guidance launched 1976 – IMF intervention in the UK 1977 – Federal Corruption Practices Act passed in USA 1978 – Winter of discontent</p> |



| 1980 – 1990 | |
|--|---|
| Trends | Events |
| <p>Stakeholder theory introduced and the social and psychological contract between employers and employees is redefined. Technology begins to revolutionise the workplace and this leads to downsizing and the erosion of employee beliefs around loyalty to the organisation. Increased awareness of ethics and transparency. The first of a string of corporate scandals makes CSR mainstream in business management theory. Environmentalism becomes high profile as do medical ethics impact of rising cases of HIV/AIDS. The Savings and Loans scandal in the USA leads to the Financial Institutions Reform, Recovery and Enforcement Act of 1989. This period saw the launch of many of the NGOs and CSR consultancies. The fall of the Berlin wall heralded the end of communism</p> | <p>Books & Papers 1984 – Drucker: The New Meaning of Corporate Social Responsibility 1984 - Freeman: Strategic Management: A Stakeholder Approach 1987 – Bruntland: Our Common future 1988 – Elkington & Hailes: The Green Consumer Guide</p> |
| | <p>Social & Political Factors. 1980 – Society for Business Ethics formed 1982 – Business in the Community launched 1984 – Bhopal disaster 1987 – SustainAbility launched 1989 - Exxon Valdez Alaskan oil spill 1989 – Berlin wall falls</p> |



Table 2.4 (Continued)

| 1990 – 2000 | |
|--|---|
| Trends | Events |
| <p>Global health becomes a significant issue with over 8 million people living with HIV/AIDS and the need for new affordable treatments and drug regimes. Health inequalities between the developed and the developing world become increasingly wide. Stakeholder partnerships begin to develop. Globalisation brings new challenges such as child labour and bribery and leads to protests and direct action. Workers conditions in low wage economies are highlighted and lead to the growth of initiatives such as 'Fairtrade'. Environmental agenda continues to gain profile and environmental activism grows in popularity. Further corporate scandals lead to legislation in the UK to protect pensions and in the USA Nike were caught up in a scandal over the use of 'sweatshops'. Climate change was identified as being a major problem and carbon emissions are linked to the problem. Genetically modified organisms in the food chain are identified and BSE leads to changes in attitudes towards red meat.</p> | <p>Books & Papers 1991 – Carroll: The pyramid of corporate social responsibility 1992 – Cadbury: the financial aspects of corporate governance 1995 - Jones: Instrumental stakeholder theory: A synthesis of ethics and economics 1995 – Greenbury: Directors Remuneration (Report) 1997 – Elkinton: Cannibals with forks: the triple bottom line of twenty first century business 1998 – McLagen: Management and Morality</p> |
| | <p>Social & Political Factors. 1991 – Café Direct founded 1992 – Rio Earth summit 1995 – Execution of Ken Saro-Wiwa following protests in Nigeria (Shell later pay damages) 1995 - Greenpeace Brent Spar protest 1997 – Kyoto protocol established 1997 – Global Reporting Index (GRI) established 1999 – World Trade Organisation protests</p> |



Table 2.4 (Continued)

| 2000 – Date | |
|---|---|
| Trends | Events |
| <p>A string of corporate scandals lead to additional legislation in the UK and USA. The attack on the World Trade Centre in September 2001 leads to war in Iraq and Afghanistan. Oil prices spiral to record highs. The Sarbanes Oxley act and US sentencing guidelines are launched partly in response to corporate malfeasance at Enron and WorldCom. Unprecedented economic growth is followed by a global banking led financial crisis. The role of business in poverty alleviation gains profile. CSR reporting becomes increasingly sophisticated and the main CSR indices gain popularity. Personal data and data security become subject of legislation. HIV/AIDS infections grow exponentially especially in sub-Saharan Africa with UN estimates of over 40 million sufferers worldwide. The banking crisis requires partial nationalisation of some of the UK's largest banks and Lehman Brothers fails in the USA. Crisis in the Eurozone leads to bailouts for Ireland, Greece and Portugal with Italy and Spain narrowly avoiding the need. Taxation becomes a contentious point with 'tax morality' becoming a complex issue for global multinational corporates to deal with. The impact that business has on society is highlighted in a range of reports and papers evidencing poverty alleviation and sustainability becoming key issues for business.</p> | <p>Books & Papers</p> <p>2000- Klein: No Logo</p> <p>2002 – Handy: What's a business for?</p> <p>2002 – Porter & Kramer: The Competitive Advantage of Corporate Philanthropy</p> <p>2003 – Smith: Corporate Social Responsibility: Whether or how?</p> <p>2005 – Collins & Porras: Built to Last</p> <p>2006 – Porter & Kramer: The Link Between Competitive Advantage and Corporate Social Responsibility</p> <p>2011 – Porter & Kramer: Creating Shared Value</p> <p>2013 – Lindgreen et al: Sustainable Value Chain Management</p> |
| | <p>Social & Political Factors.</p> <p>2001 – Enron Collapse</p> <p>2001 – World Trade Centre Attacks</p> <p>2002 – Sarbanes Oxley act</p> <p>2006 – An Inconvenient Truth raises awareness of climate change</p> <p>2007 – Principles of Responsible Management Educated launched by UN Global Compact</p> <p>2008 – Royal Bank of Scotland bailout</p> <p>2010 – Deepwater Horizon oil spill</p> <p>2013 – Rana Plaza Disaster</p> |

2.11.3 Gaps in the literature

Finally from the critical review of the literature we can see where there are clear gaps and also identify the frameworks that underpin much of our understanding of CSR. The recent work on Creating Shared Value (Porter and Kramer 2011) has added a new dimension to the CSR debate however as has been noted (Crane et al 2013) the process for achieving this is vague and not clearly defined. This leaves a gap that the research will attempt to bridge – how can organisations categorise CSR activities in order that they might identify the strategic nature of these activities to allow them to be leveraged to create shared value.

The subject of sense making features strongly in the literature (Weike 1995, Nijhof & Jeurissen 2006) however this focuses on the retrospective nature of the sense making process and a more prospective perspective is given by Maitlis (2005) where she suggests that organisations can influence this process in a positive way. This is an important area for CSR as the lens that employees use to view the construct is likely to influence their understanding and interpretation of it.

Stakeholder theory (Freeman 1984, Mitchell et al 2011, 1997) has been very influential on the language and development of CSR and will doubtless underpin much of the discussions and the importance of the work of Friedman (1970) and his famous polemic has not diminished over the last 45 years and indeed more recent work by Freeman (1991) suggests that there is still much to debate around the value of CSR. The lack of a clear definition and the evolution and prevalence of a wide range of definitions requires examination to identify the impact that this has as do the options and choices for organisational incorporation and structure. The impact that these have on values (Johnson et al 2014) and culture (Schein 2010) are likely to be of some importance. Finally the business case and measurement systems for CSR (Hopkins 2003), although not the main focus of the research, are likely to be relevant – especially (although not exclusively) to the Investor Owned Sector.

2.12 Linking literature and research questions

That the literature informs the research questions is clear from the preceding discussion. Research question 1 asks about meaning and this is informed by a range of literature from the work on definitions by people such as Frederick (1960), through Carrol (1999) and the work of Maon (2010) to recent definitions by the EU (2012) however none of these writers give a satisfactory account of what it means to staff within organisations – they take a more normative almost positivistic approach to definitions. The question of sense making is one that runs through a significant proportion of the literature – including but not restricted to contributions from Blumer (1967), Weike (1995), Maitlis (2005) and Nijhof

& Bruijn (2008). Sense making is the core theme of research question 2 however there is a lack of a focused and critical examination in the literature of how sense is made of CSR by employees and what the organisations role in the sense making process might be. Research question 3 asks what the benefits of CSR might be and whilst many authors (Hopkins 2003, 2005 Saeed & Arshad 2012) these have trended to take a very narrow view of benefits and have concentrated on the business case and the commercial benefits and as we can see from the literature there are suggestions that there is no business case to be made (Friedman 1970). This tends to give a customer focus to the benefits of CSR and with it the suggestion of 'greenwashing' or the cynical manipulation of CSR to increase profitability. This has led to a gap in the literature as to what the benefits to the organisation might be – a more resource based view (Johnson et al 2014) of CSR and its links to dynamic capabilities (Teece 2009). The impact of structure on organisations has been written about extensively (Minzberg 1993, Johnson et al 2014) however with the exception of Hingley (2010) there is a lack of literature investigating the differences between co-operatives and investor owned firms where CSR is concerned. This will be addressed in the research.

Chapter 3: Methodology

3.1 Introduction

The aim of a research tool is to produce data that is both reliable and valid. Oppenheim (2000 p 144), states that reliability, “refers to the purity and consistency of a measure, to repeatability, to the probability of obtaining the same results again and again.” If reliability is suspect, the use of the research as a basis for drawing conclusions is compromised.

In order to bring light to the proposed research questions it is necessary to select an appropriate and relevant strategy.

Jankowicz (2005) provides a detailed definition of the term research “A systematic and orderly approach taken towards the collection of data so that information can be obtained from that data.”

The philosophical issues in management research support two main paradigms, Positivism and Phenomenology. The research onion created by Saunders, Lewis and Thornhill (2003) supports the identification of the two approaches. The onion is designed to be used from outside to the inside.

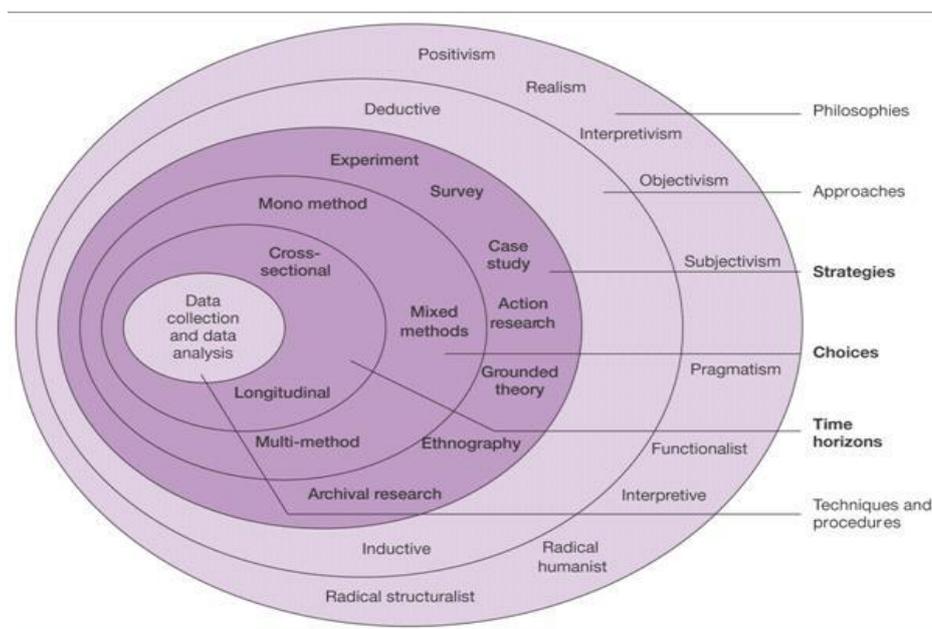


Fig 3.1 – The Research Onion (Source Saunders Lewis and Thornhill 2003 p 83)

The first two layers consider the research philosophy and the research approach. The research philosophy relating to Positivism is based upon quantitative data, allowing the research to be quantifiable this method is often used in the natural science and social sciences. This deductive approach is based on facts which are scientific and objective, with emphasis which seeks to replicate and produce law like generalities similar to those produced by physical and natural scientists. Positivism places science in a privileged position and assumes the possibility of a scientific understanding of human and social behavior, however Gill and Johnson (2006) argue that “it may be adequate for the subject matter of the natural science, it is not adequate for the social sciences.”

Easterby-Smith, Thorpe and Jackson (2012, pp. 7-8) stated that four main characteristics give a management research a different twist from other research studies such as:

i) In management studies, the researcher needs to take a holistic approach vis-à-vis the subject being studied, rather than being embedded into sociology or politics and economics only, it is a mix of different disciplines combined into one (Easterby-Smith, Thorpe and Jackson, 2012 p. 7);

ii) Management research *per se* is rarer than other research subjects because its fieldwork is usually complex (Easterby-Smith, Thorpe and Jackson, 2008, p. 7);

iii) Managers gained during the past years the “know-how” about their own expertise which prompted an added-value to both managers and researchers (Easterby-Smith, Thorpe and Jackson, 2008, p. 7);

iv) When management is at stake, one has a tendency to think of “action”: management research often leads to practical recommendation for the management to embrace (Easterby-Smith, Thorpe and Jackson, 2008, p. 8).

This thesis takes a qualitative research methodology rather than a quantitative one for reasons that will be explored in this chapter.

Easterby-Smith et al (2012) suggest that there are differences in the philosophical interpretations between quantitative and qualitative research methodologies: the main differences lie in the researcher's role in shaping the research (Easterby-Smith, Thorpe and Jackson, 2008, p.24). Bansal and Corley (2011, p.236) are clear that '*given that there is not a single 'right' method researchers must be transparent about how they engage.....*' (Bansal and Corley, 2011, p. 236).

3.2 Research Paradigms

3.2.1 Options

Methodologically we are presented with various options when researching a topic. Each option carries with it limitations as well as providing a set of guiding principles for the carrying out of research. These options inform fundamental areas of research design.

Ontology: The study of the essence of phenomena and the nature of their existence, Epistemology: The branch of philosophy concerned with the study of the criteria by which we determine (i.e. know) what does and does not constitute warranted or valid knowledge. These help to form a Paradigm – a perspective from which distinctive conceptualisations and explanations of phenomena are proposed and thus inform the choice of Methodology: The study of the methods or procedures used in a discipline so as to gain warranted or valid knowledge (Gill & Johnson 2002)

Ontology in social science tends to fall into one of three positions (Easterby- Smith 2002)

Representationalism: Truth is determined through verification and predications and that facts are concrete but cannot be accessed directly.

Relativism: Requires consensus between different viewpoints, and believes that facts are dependent on the viewpoint of the observer.

Nominalism: It is the labels and names that we attach to experiences that are important. Nominalist ontology would tend to a social constructionist where people rather than objective external factors determine reality, so the task of social scientists is to appreciate the different constructions and meanings that people place upon their experience. A Nominalist viewpoint would be that truth depends on who establishes it and that facts are all human creations.

Mills (1874) described the positivist paradigm in social science as having the same aims as natural science, aiming for the discovery of general laws that serve for explanation and prediction and further that methodologically, social and natural sciences were identical (Mills 1874). Others have brought this thinking up to date with the view that the ultimate objects of scientific inquiry exist and act quite independently of the scientist and their activities and enquiries (Bhaskar 1989). The central tenets of positivism revolve around objectivity, hypothetic-deductive theory, and the separation of facts from meaning and exact and formal language.

To apply a positivistic ontology to CSR would be difficult as it assumes a single tangible reality that can be broken down and studied independently (the whole being simply the sum of the parts) and central to the positivist ontology is the epistemological assumption of separation of the observer from the observed. Further and more fundamentally problematic for a construct such as CSR is the assumption of value freedom – that the results of an enquiry are free of bias (Lincoln & Guba 1985). As there is no clear definition of what constitutes CSR, how it might be measured or indeed how different people, organisations and stakeholder groups interpret CSR then it suggests that each inquiry must be heavily

influenced by any number of value systems. The topic of bias and researcher values will be discussed in more detail later. Thomas Powell, writing in the *Journal of Management Research*, discusses the concept of reification (Powell 2004), which he defines as the treatment of an abstract as a concrete cognitive or behavioural entity. Much of the discussion surrounding CSR appears to suffer, to a lesser or greater extent, from this phenomenon of reification and to consider the construct from a positivistic stance would suggest exactly this – that social reality (and so CSR) is a concrete measurable phenomenon and that ‘good’ research of CSR is exemplified by precise definition, objective data collection, systematic procedures and replicable findings (Daft 2001) where the aim is to establish laws that satisfy the classic criteria of internal validity, external validity, objectivity and generalizability by means of detached observation. A difficult task when trying to define and gain insight into a construct

As was noted in chapters 1 and 2 the topic of CSR is a construct that is very difficult to define and as we saw in the previous section methodologically we are presented with various options when researching a topic. Each option carries with it limitations as well as providing a set of guiding principles for the carrying out of research. These options inform fundamental areas of research design.

3.2.2 Interpretivist Ontology

This research investigates the CSR – as identified previously a construct lacking any agreed single definition – in a range of organisations and assesses the factors that impact CSR and the perceptions of it by employees. This study is concerned with understanding the complex functioning of the construct relative to the businesses from the participant’s point of view. All business situations are both complex a unique and are a function of a particular set of circumstances and individuals in which multiple realities exist that cannot be reduced to the sum of its parts (Saunders, Lewis and Thornhill 2012; Corbetta, 2003).

The research seeks to understand the 'what', 'why' and 'how' of the perceptions of reality from a number of different individuals in a diverse range of business units covering the cases being developed (Somekh and Lewin, 2005, Corbetta, 2003). In order to meet the research objectives of identifying the impact of structure and the perceived benefits of CSR it is necessary not only to focus on the personal thoughts and opinions of the staff but also to discuss values beliefs and organisational culture. From an ontological perspective, the positivist researcher begins with the assumption that there is only one external reality which is 'knowable' (Corbetta, 2003; Easterby-Smith et al, 2012). This paradigm is likely to be correct when the research subject is both straightforward and can be easily defined. Interpretivism acknowledges the presence of multiple realities. These realities are heavily influenced by the perceptions of individuals, groups and cultures (Saunders, Lewis and Thornhill 2012). This suggests that an interpretive ontology is most appropriate for this study in order to gain an understanding of the construct of Corporate Social Responsibility from a number of different perspectives. The deliberate choice of organisations with differing cultures and structures – some of which are undergoing significant change and operating in turbulent markets adds an additional layer of complexity that again supports the interpretivist ontology.

3.2.3 Interpretivist Epistemology

From an epistemological perspective, positivistic researchers adopt an external objective perspective to a study, taking a non-interventionist approach and remaining detached from any involvement with the study subjects (Creswell, 2009; Saunders, Lewis and Thornhill 2012). This relationship (or lack thereof) permits a positivist researcher to gather objective knowledge and discrete facts about the topic under research. An interpretivist approach, in contrast, allows the researcher to enter into the world of the study subjects hence they can become an integral part of the research process – this is a necessary part of Grounded Theory (Strauss & Corbin 1998, Corbin & Strauss 2008). Interpretivist

researchers view the people involved in the study as their key source of data. Researchers in this paradigm are seeking an 'insider view' rather than imposing external views by ascertaining opinions, feelings or perceptions. This interpretivist approach makes it necessary for the researcher to interact directly with the research subjects to gain the detailed understanding of the context and situation from their personal perspective. This approach to research allows the researcher to gain a more detailed understanding of the social world. This understanding is gained through the meanings and interpretations of the participants through their behaviours, their actions and their interactions within their own sphere of understanding and their own realities (Creswell 2009). Within the context of this research, the opinions and perceptions of a wide range of people living in different geographical locations occupying differing places in the organisational hierarchy, with different sets of values and beliefs could not be contextualised and understood through the application of the more detached positivist approach. It was of fundamental importance to gain an understanding of the meanings that the participants attached to specific activities, constructs, events and actions reflected in the questions and discussions. From an epistemological perspective, it was clearly necessary for a significant degree of interaction with the study participants and in many respects for the researcher to almost become part of the research in order to fully understand the nature of the unique cultures of each of the companies studied. This necessity required a degree of objectivity that was tempered by the fact that the researcher was not employed by any of the organisations and so was able to retain degree of objectivity.

3.2.4 Interpretivist Methodology

The interpretive ontological and epistemological stances of the researcher give the underpinnings of the logic for ascertaining the types of methodological approaches that would be required to conduct the research credibly. The focal point of qualitative research methodology in this instance is to investigate the meanings that people attribute to their

environment and the events and activities that occur within that environment and context (Silverman 2011, Guba and Lincoln, 1998). Qualitative researchers seek to gain an in-depth understanding of how the study subjects make sense of the experiences and perceptions of the phenomenon under consideration. One of the core strengths of qualitative research methods are the inherent flexibility that facilitates the gathering of information and the subsequent insights into understanding and interpretation, unlike the standardised techniques applied in the quantitative research paradigm (Silverman 2011, Corbetta, 2003). This flexibility allows for the application of broad interview question structures to allow for the study participants to develop their answers where possible (Hingley, 2005). This study is concerned with building a comprehensive understanding of CSR from an individual perspective and on the impact of organisational culture and structure in operationalising the construct. Therefore the focus of the research is to understand the ways in which the participants make sense of their world and explore their perceptions and descriptions of their businesses with regards to this phenomenon. This intention is therefore best addressed by an interpretivist qualitative methodology.

The area of CSR research also provides further rationale for deciding upon a qualitative, interpretative epistemology and methodology for this particular study. We noted previously that Murimoto et al (2005) used a highly qualitative research design for the study of CSR and was repeated in studies by Lingreen (2010) Trevino et al (2003) and Matten (2008). Such studies have successfully utilised qualitative methodological techniques including exploratory in-depth interviews, case studies and focus groups to fulfil their objectives (Yin, 2003; Hingley, 2005). In a study investigating the application of strategies being deployed by German Dax 30 businesses Jonker & Marberg (2007) confirmed that the preferred means of understanding how their study cohort made sense of CSR was by using a qualitative methodology. This type of research lends itself to exploratory qualitative techniques, including case studies and in-depth interviews, which have been shown to be an effective means of

gathering a large amount of data rich information about a particular subject area while being closely involved with the subject participants. A qualitative methodology was thus determined to be the most appropriate within this study while the inflexible nature of the positivist quantitative methods was considered as being unsuitable for addressing the research questions and topic under consideration.

Management research is different from other types of research in that the practice of management is eclectic, crossing functional and cultural boundaries and drawing on knowledge from a wide range of disciplines (Easterby-Smith et al 2002). Organizations themselves are complex multidimensional dynamic systems. Add to this the notion that CSR is a relatively ill-defined construct that is not universally accepted, and even where it is accepted, does not have a standards framework for implementation, interpretation or even definition. This might further suggest an ontological position not well suited to positivism.

If it is true that a positivist ontology with its associated epistemology and methodology will not give the understanding of CSR needed to ascertain how sense is made of it and the benefits that it confers, clearly a more subjective, qualitative interpretivist approach to the subject is required. Qualitative research is concerned with the meaning rather than the measurement of organizational phenomena (Daft 2001)

Subjective approaches, whilst presenting the opportunity to gain a depth of understanding of the subject that is not possible in the positivist paradigm, it is not without its own set of challenges. Subjective approaches are vulnerable to biases implicit in the perspective of the researcher and further it can be difficult to verify that an interpretation is true and this impacts validity and reliability (Steffy & Grimes 2001) as will be discussed in section 3.7

3.2.5 Naturalistic Paradigms

Lincoln and Guba (1985) define the axioms of a Naturalistic Paradigm as consisting of multiple constructed realities that can be studied only holistically and focused more on understanding (verstehen) than on generalizability.

In this paradigm the epistemology is not that of objectivity and independence, but of co-dependency, where known and unknown are inseparable, and the aim is to develop an idiographic body of knowledge rather than a nomothetic, generalizable theory that will hold at any time in any place and that the inquiry is not value free as a positivist paradigm would insist, but value bound by inquirer values (choice of problem, enquiry options, etc) and subject values. This paradigm is much more suited to the study of CSR in a number of ways.

Firstly applying a Naturalist Paradigm (as described by Lincoln and Guba, not as in the methodologies of the natural and physical sciences) ensures that research is carried out in the natural setting, believing that an holistic approach is necessary and that context is vital in deciding whether a finding might have meaning in some other context. As has been earlier discussed, CSR is a construct that has no defined meaning and no clear definition therefore to ascertain if it can lead to competitive advantage it is necessary to examine it in its natural setting and in an holistic manner to find out what it means to different actors in the organisational setting, what their interpretation is of CSR and how it makes a difference to their contribution to organisational performance. In the naturalist paradigm the primary data collection method is person to person. The study of CSR and competitive advantage cannot be done simply by desk based research (although with more and more organisations publishing CSR and sustainability reports it is possible to gain some insight into the phenomena in some organisations by desk research (see section 2.11), but involves interviewing, understanding and interpreting people who work in the environment and who decide on the organisational strategy, to gain insight into the phenomenon and to ascertain exactly what it is.

This suggests that in this paradigm qualitative methods would prevail, especially in the investigation of CSR. However this is not to say that quantitative methodologies are not valid on some occasions – for instance it may be that having attempted to define what CSR is, then some of the measures employed to ascertain competitive advantage will quite possibly be quantitative. There is no inconsistency in this and Lincoln and Guba specifically make this point when they suggest that working in the naturalistic paradigm will usually involve qualitative techniques over quantitative methods – but not exclusively

Sampling in a naturalistic paradigm tends to take the form of purposive sampling. This means that rather than using the traditional representative sampling techniques of random sampling - simple, systematic, stratified or cluster (Saunders, Lewis, Thornhill 2012); the non-random, judgemental technique of purposive sampling is employed. Whilst representative sampling is central to generalizability, in naturalistic enquiry the key is understanding over measurement and purposive sampling allows the use of judgement to select the best cases that enable answering of the research question and gain the understanding necessary of the question being asked. In addition it increases the scope and range of data as well as increasing the probability that all of the multiple realities will be exposed. Once the sample has been interviewed (assuming interview is the chosen way of interrogating the sample), meaning and interpretation are negotiated with the subject. The negotiation process is important, as it is the constructions of reality that the inquirer is trying to reconstruct. This makes the researcher hesitant about making broad applications of a finding.

One of the key implications of a naturalist paradigm lies in the use of Grounded Theory instead of the use of a priori theory to explain and give understanding to the phenomenon being studied. Grounded theory is more likely to be responsive to contextual values of the sample groups and is likely to explain the multiple realities encountered when

investigating CSR as a phenomenon. This suggests that the research will emerge from the data rather than from any a priori theory.

3.3 Grounded Theory

3.3.1 Overview

Grounded Theory, as presented by Glaser and Strauss in 1967, and subsequently developed by Glaser and by Strauss and Corbin (1998), came out of research from the 1960s, concerning a series of studies carried out into the dying process as experienced by hospital patients and the nurses who worked in that environment. Prior to grounded theory, research methods in social sciences tended to focus mainly on how to verify theories. GT offers a middle ground between the extreme empiricism of the positivism and complete relativism by offering a middle ground where systematic data collection is used to develop theories that explain the interpretive realities of those actors in their organisations' who have to make sense of the construct of CSR

Glaser and Strauss (1967) wanted to encourage researchers to use their intellectual imagination and creativity to develop theories relating to their areas of inquiry, to suggest methods for doing so, to offer criteria to evaluate and work on discovered theory and to focus on generation rather than justification (Locke 2001). Grounded theory rejects a priori theorizing; rather it focuses on research and discovery through direct contact with both the subject and the environment being studied. This focus leads to knowledge being an emergent phenomenon free from the constraints that trying to fit around a priori theory. This does not mean that a researcher should embark on the process of grounded theory without some sort of orienting theoretical perspective; however these should not obstruct the development of theories by coming between the researcher and the knowledge (Partington 1998, Suddarby 2006).

Indeed, GT when rigorously applied requires the researcher to have a detailed understanding of the key issues in the subject area lest the focus be on irrelevant pieces of data from the interview set. Glaser and Strauss, whilst agreeing that testing theory is an important part of research and that research generating theory goes hand in hand with verification of it, were concerned that in the social sciences there had been a concentration on testing either existing theories or theories that researchers had barely begun to generate (Glaser and 1967).

The purpose of Grounded Theory (GT) is theory construction rather than description or application of existing theories and in this thesis GT will be used to build and support the case studies that will be discussed in more detail in section 3.10 where the research design of this specific study will be the focus. Grounded theorists engage in data collection and analysis simultaneously in an iterative process that uses comparative methods (Charmaz 2006). This method analyses actions and processes rather than themes and topics. A defining strategy is theoretical sampling i.e. sampling for developing the properties of a tentative category and not for ensuring representation of a sample of people with a specific demographic characteristic. – again this will be examined in more detail in this chapter. Grounded Theory provides a very structured method to focus on contemporary issues in qualitative research and whilst it is a clear method (Strauss 1998, Glasser 1967) it can also be used as a broad strategy for analysis (Saunders et al 2003). This use of GT as a strategy has been identified as problematic as a stringent process must be followed in the coding process so to use it simply as a guiding strategy (as opposed to a method) is likely to lead to a study that lacks rigour. (Saunders, Lewis and Thornhill, 2003 p 398) .

Grounded theory rejects a priori theorizing; rather it focuses on research and discovery through direct contact with the social world being studied. This focus leads to knowledge being an emergent phenomenon free from the constraints that trying to fit around a priori theorizing brings (Strauss 1998). Glaser and Strauss, whilst agreeing that testing theory is an

important part of research and that research generating theory goes hand in hand with verification of it, were concerned that in the social sciences there had been a concentration on testing either existing theories or theories that researchers had barely begun to generate (Glaser 1999). Grounded Theory focuses on the difference between substantive and formal theory. Whilst formal theory is the ultimate goal, it must be developed from a substantive grounding in concrete social situations, substantive theory being that developed for a substantive or empirical area of inquiry, and formal being developed for more formal or conceptual areas of inquiry, suggesting that substantive theory comes before formal. In the study of management many of the theories are substantive e.g. leadership or decision making, and into this category might fall CSR. More formal theories mean according to Locke (2001) those inquiries that operate at a high level of generality (e.g. agency theory).

Glaser and Strauss did deviate in their perspectives and approaches to the use of Grounded Theory leading to subtle but important differences in the process and application of the method. Easterby-Smith, Thorpe and Jackson (2008, p. 101-102) stated that Glaser took a more realist approach and would remain independent vis-à-vis the already existing data. Strauss & Corbin (1990) on the other hand adopted a continuous interrogative analysis of the data with the establishment of a coding process and would take a flexible approach against arising data and be open-minded (Easterby-Smith, Thorpe and Jackson, 2008, p. 101-102). This slightly more constructivist approach to GT offers a more accessible form of GT. Unlike the earlier and more Glassarian view of GT the Straussian approach acknowledges the influence of the researcher, accepts the notion that multiple realities may exist and rejects the assumptions that the researcher should (or even could) set aside their prior knowledge in developing new theories. Regardless of the debates between the Glaser and Strauss perspectives on GT, both agreed that a GT approach builds up a theoretical framework which demonstrates mutual links (Parker and Roffey, 1997)

While the differences between the two approaches have been positioned as significant and overall a more Straussian approach has been adhered to through the interpretation of the data gathered there is still much of the original Glassarian structures and perspectives underpinning the application of the method in this thesis.

Bailey, White and Pain (1999, p. 174) wrote that the openness and continuous evaluation of data is central key to a GT as well as critical thinking. The scholars reiterated that a GT approach necessitates a continuous interpretative approach, and that it is a process (Bailey, White and Pain, 1999, p. 176). This interpretative process is the dominant approach throughout the research, starting from the literature review, the analysis of the collected data through its overall discussion.

Suddaby (2006) elaborated on the GT methodology giving a warning to researchers of what a GT is and is not. Suddaby (2006) revealed a series of misconceptions around a GT. First, not considering existing literature and prior knowledge is a mistake (Suddaby, 2006, p.634). Suddaby suggest that there is a misconception that GT involves the researcher being a 'blank sheet devoid of experience or knowledge'. He further suggests that that ignoring relevant and pre-existing literature is likely to lead to a '*mass of descriptive material waiting for a theory or a fire*' (Coase 1988 p 230). Suddaby suggest that the GT method is not simply a random collection of raw data but focuses on the casual effects between actors (Suddaby, 2006, p. 635). Third, GT is not a simple theory for the sake of being a theory; it is rather an interpretive approach of a series of different contexts (Suddaby, 2006, p. 637).

3.3.2 The Process

Glaser and Strauss (1967) suggest a constant comparative methodology consisting of a 4-stage approach to generating theoretical explanations from qualitative data. Due to the access that can be gained to actors in

this industry this would appear to be a most relevant method of examining the data generated by semi structured interviews to generate theory.

3.3.3 Comparing Incidents Applicable to Each Other

The aim is to assign multiple observations a common meaning that is captured or composed in a conceptual category. As a start point the data incidents that have been collected are used with a view to understanding a particular substantive problem. Grounded Theory insists that any preconceived notions, theories or expectations are suspended (this can be done through a critical examination of values and biases discussed later). At this stage the researcher must try to develop abstract meaning for these data incidents by articulating what they believe is happening or being expressed. This involves studying an incident in the data set and giving that incident a name that represents an interpretation of what is happening with regard to that incident. The naming of this incident is not restricted to a single name; it can be names in as many ways as there are interpretations of the incident. In tandem with the naming process comes comparing. This activity helps to develop a common name or category for multiple observations and helps to clarify what we perceive. An example of how this works is given by Locke (2001) that although using examples straight from Glaser and Strauss' original work and not from the perspective of CSR, give an excellent overview of how the technique is applied. The transferability of this technique to interviews concerning CSR, sense making and benefits should not pose any difficulties. The example given by Locke concerns Nurses reactions in Glaser and Strauss' study of their reaction to patients dying

Researchers scrutinize a data fragment in their field notes that represents the nurses response to the death of a patient and identify the nurses comment 'what a loss - he wanted to be a teacher' (1) Locke (as do Glaser and Strauss) asks how this might be coded and how can we name what is being expressed? Locke suggests 'death as a loss' (A), 'unfulfilled ambitions' (B) or 'society denied a contribution' (C), we then seek other

incidents where nurses responses are captured e.g. 'well at the age of 85 with 7 grandchildren he had had a full life' (2) 'she had 4 little children, what will happen to them now that she is gone' (3) and we compare them to our labels A, B, C. Locke suggests that at first glance all appear to be accommodated under A, 1 & 3 perhaps suggest an element of someone or a group being denied, so perhaps (C). Thus by comparing incidents with each other and with initial labels, an examination of data incidents may well reinforce that nurses are assigning value related meaning to patient deaths. As more comparison is done, so the meaning might be refined. Glaser and Strauss refined the meaning to 'Social Loss' (D). In parallel, the data incidents are compared for what might be different – e.g. (2) might be seen as less important. This points to various properties of the category e.g. whilst all may have (D) in common, there may be different representations of it e.g. the young mother being a more significant loss than the 85 year old. This helps us to define theoretical properties of the category e.g. how staff arrive at a determination of loss, whether it is high or low etc. The data might suggest age as a factor thus a search might be made to discover other expressions of age and to understand and articulate the role that age might play in determining social loss. The conceptual categories must thus earn their way into the framework by being persistent and recurring. During this process (and indeed subsequent to it) notes or memos must be kept as to why categories are chosen, what constitutes a category, why particular labels are used etc. This informs reasoning at later stages as well as giving validity to the process.

It is possible to see how this process might be utilised in interviews concerning CSR, how the conceptual labels might be arrived at from particular data incidents and the types of categories that might arise, although until interviews are underway pre-emptive categorisation might be seen as amounting to a priori theory which is contrary to the Grounded Theory approach. Validity becomes an issue when using grounded theory. To ensure both internal and external validity it becomes important to ensure that both the transcription and interpretation are accurate. As

such interview transcripts and interpreted meaning need to be confirmed by the interviewee.

Glaser and Strauss give further guidance to assist with the coding process suggesting that the coder asks a series of questions

(a) What is happening, (b) What is the basic problem being faced by the actors here, (c) What category or aspect of a category does this incident suggest and (d) What does this incident suggest that this is a theory of?

The sampling technique used will, in line with grounded theory, be purposive sampling. Whilst it could be argued that due to the close geographic proximity the amount of access to managers and operatives in the Lincolnshire Co-operative Society (LCS) amounts to convenience sampling, as it is likely that those interviewed will have some connection with programmes being run at the University of Lincoln's Business School however such are the numbers attending that purposive sampling is still possible and access will be negotiated through LCS directly and not via registered students. The fact that access is relatively easy to employees at all levels of the LCS means that the sample can be constructed to take into account all of the various stakeholder groups and can also be constructed to give the best insight into the phenomenon under consideration.

As we have noted, Grounded Theory has been used in the past to investigate CSR (Morimoto 2004). Glaser and Strauss (1967) stressed that Grounded Theory is a particularly useful tool for providing explanations when researchers are confronted with substantive issues where they have no real theories. This does not mean that the researcher can somehow 'fumble around in the dark' in the hope that Grounded Theory will miraculously provide explanations, theories and insight (Coase 1988). Glaser and Strauss assume that the researcher has already a clear purpose to the study and the issues that it is hoped to illuminate as well as the practices that it might influence. Grounded

Theory assumes that the research question has been arrived at and that a strategy is in place for gathering information.

The aim is to assign multiple observations a common meaning that is captured or composed in a conceptual category. As a start point the data incidents that have been collected are used with a view to understanding a particular substantive problem. At this stage the researcher must try to develop abstract meaning for these data incidents by articulating what they believe is happening or being expressed. This involves studying an incident in the data set and giving that incident a name that represents an interpretation of what is happening with regard to that incident. The naming of this incident is not restricted to a single name; it can be names in as many ways as there are interpretations of the incident. In tandem with the naming process comes comparing. This activity helps to develop a common name or category for multiple observations and helps to clarify what we perceive. Once the interviews had been conducted, a detailed analysis of the content was carried out and the data was coded so that it could be immediately compared with what had gone previously to establish themes and connections. Thus point A1.1 was compared to A1.2 and A1.3 was compared to A1.1 and A1.2. Appendix 1 gives an indication of the open codes utilised from one interview and are summarised below

A1.1: Culture

A1.2: Strategic Pillars

A1.3 Define and Develop Values

This means that from the first interview began to develop themes of culture and values. This process was repeated up to point A1.34 in the first interview and then the process was repeated for interview A2, through to A52

A2.1: Traditional Values

A2.2: Generating power

A2.3 Efficiency of the generating process

A2.4: Embedding the culture

and similarly through B,C,and D. Whilst the range of data labels becomes so large that any meaningful appendix containing all of them is not possible, to give an overview, an abridged range of categories from one of the interviews has been included in the appendix 1

3.3.4 Integrating Categories and their Properties

This stage aims to develop and provide organisation for the conceptual categories in order that they can account for similarities and differences in the data incidents. This stage also allows progress in the formulation of our conceptual scheme e.g. the perception of one initiative can be compared with the impact of a different initiative. And any links or underlying value not yet identified can be established. In order to arrange our categories that they might add up to a theoretical framework, the arrangement of the conceptual elements relative to each other becomes important – thus allowing clarification of the relationships between the categories and their properties.

These were compared in the same way that the categories in A1 were done and then compared across A1 and A2. This same process continued up to A41 and generated between 10 and 40 categories per interview. Once the entire A categories had been exhausted the same process was repeated with B, C, D and E. Each one of these headline categorisations representing different organisations. The process generated many hundreds of key points from which concepts began to emerge. The first concepts that began to emerge came from the individual interviews but these became themes across all interviews.

Concept 1: Understanding of values and culture A1.1, A1.2, A1.3, A2.1, A2.4 ...D5.1, D5.3

Concept 2: Making sense

Concept 3: What constitutes important initiatives?

Concept 4: Paradigm

Concept 5: Benefits

From these began to emerge the categories of concepts that shared similar characteristics and the language that was associated with them. There began to appear broad categories of strategic importance of initiatives and interventions. Had the process simply continued in this way then some interesting findings would have been generated and connections between categories would have been established.

Once the initial open coding had been completed the analysis then began looking for the relationships between the categories of data that had emerged from the open coding process. The essence of this stage is to explore and explain the phenomenon being investigated by an examination of what is happening and why. This stage considers the environmental factors that impact the process and what the outcomes of these interactions might be. Once these relationships have been identified it is possible to cross check them again against the data that had been collected (Strauss and Corbin 1998, Corbin and Strauss 2008). Having completed this process the final element is that of selective coding. Selective coding identifies the principal categories that are core to the study (Corbin and Strauss 2008)

The analysis of the data revealed 8 Selective or Final Codes from the data. These codes were:

1. Creation of Meaning and Sense making
2. Definition
3. Activities and Focus
4. Beliefs
5. Paradigm and Shared Value
6. Structure
7. Business Case and Measures
8. Culture and Leadership

The codes were arrived as through the GT process of constant comparison of the data as it was uncovered. As GT has not previously been used to examine CSR via multiple case studies there was no

template for the coding process. This proved not to be problematic because GT is premised on the detailed and constant comparison of the data to allow the development of firstly the open codes and then the axial codes. Whilst the axial codes varied from case to case and were seen to be more subject to the external influences present at the different times that the research was carried out this was not evident when the selective codes were identified and these codes remained constant throughout the research and were not impacted by the same external factors that the axial or open codes were subjected to. The final codes are not derived from any single interview but rather are revealed by comparison across interviews. Table 3.1 below shows the process as it was carried out for one of the organisations and the highlighted elements can then be tracked back to the full interview contained in Appendix 2 which will clearly evidence how the process moves from initial (open and axial coding) to final (selective) codes being generated. The initial coding in column 1 represents both open and axial codes and the final column shows the progression to the final selective code.

As was noted in section 1.3, there are valid questions of generalizability inherent in a qualitative ideographic study however it was also noted that practical knowledge used by managers is contextually bound. For research to have theoretical value it should focus on these local practices (Easterby-Smith, Thorpe and Jackson, 2012) and as we can see from Table 3.1 the entire focus of the study was around the practices and beliefs of the individual employees. With this in mind it was necessary to put boundaries around the research relative to the organisation and focus so CSR and the employees interpretation of it was the focus of the research. In addition the levels of internal and external validity of the study are noted in table 3.3 this reinforcing the generalizability of the process. This is not to say that the context or activities are generalizable rather that the process and context for making sense of CSR can be generalized and understood. This means that the local practices were not lost amid the more general organisational operations and activities

| Initial Coding | Pharmacy Staff | Front Line Sales Staff | Head Office Staff | Store Managers and Senior Managers | Beauty Staff | Final Selective Coding |
|------------------------------|---|--|---|--|---|--------------------------------------|
| Understanding - Sense making | We have regular meetings where we discuss ethics. It is a part of what we do and it is what Boots are as a company. (Dispenser) | Trust, I think it comes from a long way back, my mum always goes to Boots for her prescription, you trusted Boots you got good help and information and advice. Trust and value, advice as well. People trust and believe what you say, personal experience as well shows that I think we have a good standard of staff; they get all the things that they are looking for when they come in here for all their aches and pains. (Team Leader Leeds) | The ethos is about doing the right thing. We have healthcare and pharmacy roots so we tend to be evidence based and a clean environment to work in. People are positive. I previously worked in engineering, and it is noticeably different – lots of hairy arsed (sic) engineers but here the message is clear – values count We ensure people are aware by a process of cascading information from managers, but we also use intranet and other newsletters. | My role is to draw together all of the CSR initiatives and programmes that we do as a company and make sure they are understood. I've worked in CSR for 25 years and what I enjoy most is helping one of the top 30 companies in the UK to lead the way in this field. I was working elsewhere at the time of the riots in the early 80s, and the opportunity came up to become involved in inner city regeneration which then took me into Business in the Community and then to the broader CSR agenda (Senior Manager) For new starters I would talk to them about the heritage of the company – the DNA A1.34 (DNA) of the organisation is hugely important. We feel that we are the inheritors of something special A1.35 (Custodians) and with 19 million customers per week and the behaviour of our staff is hugely important – we do not just sell products it's very much products plus advice. (OD Director) | I find out by reading the intranet. We have the Trust message which I can't really remember all the different parts of it but people need to be able to trust us – that's important and we have to make sure everything that we do is related to it (No 7 Consultant) We were sent on a training session on it but we had already been working with the McMillan people so knew that we are a caring company and that means more than any slogans. (Beauty consultant) | Creation of meaning and Sense making |
| Cues and messages | Our professional codes of conduct underpin what we do and who we are but we have to behave in a responsible way to our customers and staff. We are part of the NHS and this means we have a serious responsibility (Pharmacist) | , I went through a training programme a couple of months ago, went through what Boots were what they stood for and it basically boiled down to Trust, they want to be trusted and to trust other people. (sales assistant) | I'm responsible for the workplace strand of CSR and this links to diversity, maternity leave, holiday entitlement etc. I also have 2 specific areas: Women in Management and Cultural diversity. The employee forum is seen as part of our CSR agenda as is health and safety and I coordinate much of the reporting of these and other related areas | It's about engaging people in the vision of what we are trying to achieve and engaging them A1.30 (hearts and minds) emotionally in what we are trying to do. (OD Director) | I think my line manager explained it all to me – but I'm not sure. All I know is that I realise that although we have to be successful from a money side it's not just about that (Beautician) | |
| Tools for understanding | We have to continue or CPD – it's part organisational and part a professional requirement but it brings home what we are about (Dispenser) | Their business point of view - being the best they need that trust to be the best people have got to trust you. (fragrance Consultant Glasgow) | | | | |
| Communication | I worked somewhere previously where it each branch just did their own thing. It's different here (Pharmacist) | | | | | |

Table 3.1- The Axial and Selective Coding Process

During the initial coding process the relative position of people in the organisation was noted, and was initially included under concept 1, as there seemed to be a link between understanding of values and culture and the position in the hierarchy. It was at this point that the process of memos began to add significant value. The memo process when revisited highlighted a new and strong relationship between the position in the company and the process of open coding, emergence of concepts and categories began to reveal a link between the perceptions of staff about the different initiatives. It became clear that there was a tendency to categorise activities relative to the mission or purpose of the organisation. That generally is there was a link to either the culture of the organisation or to the community of practice that employees perceived themselves to be attached to, then the activity itself was deemed as more important or relevant. This is not to say that all people identifies the same initiatives, indeed there were a range of other factors that impact on the importance of different activities – in one organisation front line staff saw a staff benevolent fund as being the single most important initiative, because they all knew someone who had benefitted from it. No members of head office mentioned this as important, only front line operational staff that have part time colleagues working with them in seasonal retail jobs.

'it shows we care, that we do care about the people'

'there was a lady....and she finds it difficult to make ends meet, so every Christmas we apply to get her some money..'

This contrasts with head office staff who work on environmental projects

'the climate change agenda is the biggest challenge that we have ever had to face. It is a societal challenge but also a significant business challenge'

'our customers cannot directly impact this, so they trust us to do it'

The process of constant comparison between and among the concepts and categories led to the realisation that whilst there may be different initiatives, some appeared to be more important than others and strong links were noted between concept 1 and concept 3. It began to emerge that an important element of any initiative was the degree to which staff viewed the initiative as being aligned to the organisational purpose and then how engaged that they felt regarding the initiative

‘...the things that really appeal to me are the initiatives that are aligned to the business case, in a way I can take or leave the (one off charity fundraisers)’

‘a lot of the people had been touched by it (cancer) so it was good that we were supporting it’

3.3.5 Delimiting the Theory

The aim at this stage is to settle on the frameworks theoretical components and to clarify what they reveal about the phenomenon under consideration. Glaser and Strauss (1967) suggest that the comparative process works to delimit the theory at two levels. The level of the theoretical framework and of the theoretical categories derived from the data incidents. The process of iteration and comparison should lead to the theory solidifying and major modifications become fewer and fewer. At the same time the theoretical categories might be reduced to tell a particular story, in this case the categories that were closely linked were around values of the organisation and the level of engagement in the different activities. In organisations where there were no strongly espoused values the data showed that staff made assumptions about what might be important to the organisations and used these as the guiding principles.

At this stage there is the notion that by delimiting the theory, categories and theories might be discovered. This may suggest a theoretical reality –

that the data will choose their own story, however this is inaccurate as it is the researcher who decides on and articulates the story that the data tells

3.3.6 Writing the story

At this stage the researcher is ready to write the story – producing a monograph or article by processing the coded data, memos and a theory. Storytelling means explaining what data mean and using the data to describe how organisations and systems work (Daft 1983) Whilst data collection and analysis are integral parts of the research process, Daft maintains that they are intermediate points in the process of telling a story of the organisational world. This is particularly relevant where human behaviour and organisational processes are concerned – precisely the domain of CSR.

3.3.7 The Theory and the Story

The summary of the initiatives discussed are discussed in detail in the individual chapters however the initiatives themselves are categorised according to the CSR matrix outlines in Fig 3.2 and include a range of activities that were classified as CSR. The comments on all of the activities were generally favourable; however there was a significant and notable difference between comments on activities that have been classified in box 1, to the other boxes. This does not in any way negate the value of the other boxes, and indeed the indications are that activities in all boxes are needed to ensure that all employees can relate in some way to the activities that the organisation engages in. This manifested itself when more than one interviewee noted their preference for engaging in socially responsible activities that might be classified as not employer driver e.g. supporting their local charities or community activities not involving the company. These individuals expressed a preference for some of the box 2 or box 3 activities where they felt that they could keep a relatively flexible level of engagement. The activities in

box 3 were all popular, although those people who preferred activities in box 1 stated that they, generally, could take or leave what they perceived as one off campaigns. The impact that the box 1 activities had on those who engaged with them were extremely powerful and comments linking them with both organisational performance and a deep sense of personal satisfaction were noted. Interestingly some activities in box 2 that might easily be considered CSR activities were deemed to be 'day job', in other words they were seen not as CSR activities but as commercial activities with not additional significance. This was particularly noticeable with some of the supply chain activities where a policy of 'enlightened self-interest' might be said to be being followed but this was not the perception of those interviewed. This contrasts with similar activities of e.g. Nike, who see this type of activity as central to their CSR efforts.

The link between box 1 activities and what was variously termed the organisational DNA, the heritage of the organisation or the 'way we do things'. Some of the organisations had a well-developed vocabulary that allowed their employees to enunciate this, whereas others simply talked about 'what we are about'. A correlation between seniority in the organisational hierarchy and a strong preference for the box 1 activities was noticed, however although more senior managers tended towards category 1 activities, employees who saw themselves as part of a community of practice also expressed a preference in this regard. Equally all members of staff appear to enjoy the activities that category 3 or 4 activities although some saw them as at best peripheral and in some cases as a distraction

The categories in Fig 3.2 reflect the degree to which the activity might be seen to be aligned to the organisational mission and values (integration) and those where the employees feel a strong sense of identity with the cause (affiliation), even though it might not be strongly aligned to the organisational mission e.g. community building project, or one off television appeals - it is possible to note that there can and will be

migration between categories e.g. environmental initiatives may be deemed to have moved from box 3 to box 1 over the last couple of years.

Fig 3.2 The CSR Matrix

| | | |
|----------------------------------|-------------------------------|--------------------|
| 3 <u>Cause Related</u> | 1 <u>Strategic CSR</u> | High |
| 4 <u>After Profit Activities</u> | 2. <u>Relevant Activities</u> | Affiliation |
| Low | Integration | High |
| | | Low |

(Source Considine 2009)

The use of Grounded Theory in the study of CSR, as noted previously, has been used (Morimoto 2004). However in the conclusions of this paper Morimoto notes that the literature review revealed no studies of a similar nature using Grounded Theory to investigate CSR. The use of Grounded Theory in this case does note a relationship between CSR and sustainable development, however it also clearly highlights a range of other factors that are important to employees in their perception of what is important when it comes to CSR activities. The process of constant comparison of the data immerses the researcher to such an extent that they begin to develop insights into the phenomenon under consideration from the very outset. The problems that can be associated with this include losing sight of the main objective, and it is the process of memoing that ensures a strategic view of the study is maintained.

GT provides the researcher with a structured framework with which to develop insight into CSR and the differing perceptions of the construct. Working within a structured framework allows a degree of flexibility in the application of GT (Strauss and Corbin 1998 p9) and the importance of memos cannot be overstated. It was this process that began to identify that there was more to the categories and concepts than first met the eye and began to develop the idea of a matrix for CSR activity.

3.4 Biases

In some ways a positivist ontology and epistemology may help to minimise the impact of researcher biases (although it is difficult to see how it can completely eradicate it). In a more interpretive or naturalist paradigm, the value system of the researcher will inevitably impact on the interpretation. In the naturalistic paradigm the values of both the researcher and the subject are likely to influence both the research and the findings. This happens at several levels, firstly as has been previously noted the technique of purposive sampling is employed involving as it does, subjective judgement. The researcher is then central to the sense making process and the subject's perception or reality forms the central part of the research. There are different schools of thought over whether some form of 'disclosure' should take place. Steffy and Grimes (1986) are clear that research should include a critical discussion of the subjective character of the observer and observed. Linda Perriton (2000) on the other hand regrets the phenomena of what she calls the shamefaced confession of being white, male and middle class, and quotes Miller's concern that there is a focus on race-class-gender without considering exactly what this might mean (Miller 1991). It is inevitable that in an interpretive paradigm the value system of the researcher will impact on the interpretation; however that is not to say that checks and balances cannot be put in place to minimise the researcher's biases. That being said it does seem important to any reader of an interpretative study that they are at least presented with some aspect of the author's values and biases, perhaps not in the race-class-gender mode but to give some insight into the value system of the researcher, as it might inform what

sits behind the labels attached during the naming of incidents and how they might affect interpretation. These values include a belief that CSR is a valid activity for organisations to engage in and that business can be a force for societal good if managed properly (Porter and Kramer, 2011, Prahalad and Hammond, 2002) Glaser and Strauss are clear that questioning the biases and value system of the researcher can control bias. Further bias can be minimised by the process of negotiating meaning from e.g. an interview with the subject of the interview.

3.5 Criticisms of Grounded Theory

No analysis of GT can be complete without consideration of the criticisms of the method. In order to confirm an acceptable degree of methodological robustness methodology and methodological paradigms must be articulated to ensure a robustness and clarity of approach – especially in qualitative research. In their original writings neither Glaser nor Strauss ever discussed in any level of detail their ontological perspective or the epistemological underpinnings of GT. This has underpinned a series of attacks on GT as a research method. The positivistic qualitative research community has tended to regard GT as merely a relatively simplistic approach to descriptive and impressionistic work that, at best laid the groundwork for more credible quantitative research and at worst lacked any rigour or credibility. The interpretivist community on the other hand challenged the implicit positivistic fundamentals of GT as it tried to ‘discover’ truth using a data-oriented approach. The criticisms centred around 3 key themes (Silverman 2011)

1. Data credibility
2. Analytic credibility
3. Theoretical credibility

The following sections deal with these themes explicitly

3.5.1 Data Credibility

Epistemological and methodological issues underpin the practices of Grounded Theorists – especially those of a constructivist bias. The credibility of GT begins, as the name suggests, from the ground up. The quality and sufficiency of the data for achieving the research goals are key to the credibility of the data. In all areas of qualitative research the question of what constitutes solid credible data is constantly questioned (although this is not restricted to qualitative it is more open to debate in this paradigm). One of the strength of GT is that it may be used in conjunction with a range of differing data types and whilst the most common type is interview it can also be allied to ethnographic material, documents and text (Corbin and Strauss 2008). The Straussian approach to GT answers the questions of credibility of data and offers a framework and direction for the collection of data by its insistence of choosing data collection methods that fit the research question and in gathering of sufficient data to construct a credible analysis to fulfil the research goals. As we will see in section 3.10 this study whilst predominantly focused on data generated by interview it also utilises reports and a series of alternative documents including some non-peer reviewed commentary to triangulate all data gathered and to ensure that there is a sufficiency of data to credibly analysis the topic and fulfil the research goal. In terms of GT there is a focus on the hypothetical plausibility of data construction (Charmatz 2006) rather than on the complete accuracy of, say, a field note or interview statement. Glasser (2002) positions this as the quest against ‘worrying accuracy’ of other approaches and he emphasises the importance of ‘transcending abstraction’ of the GT categories and the process of comparison in correcting accuracies that might be caused by interpretation of a small number and interviewer bias.

The more constructionist approach to data collection takes into account the standpoint of both the researcher and the participant and accepts that these can change over the course of the process. This means that data does not simply reside in an external world but reflects that particular

conditions of its construction – important when we consider the context that the research design focuses on in section 3.10. In this regard much importance is placed on the construction of the interview questions to ensure that the richness of data is not lost. It is often the case that asking fewer rather than many questions allows the interviewee to tell their story without the interviewer trying to steer the interview in a particular direction or trying to second guess content.

3.5.2 Analytic Credibility

One of the strengths of GT lies in its strategies for analysing data. The process of coding is not unique to GT and indeed it forms the basis of much of qualitative research however the use of coding differs. GT coding consists of at least two sequential types: an initial coding where the researcher must stay open to defining what they see happening in and between fragments of data and focused coding where the most significant and frequent initial codes are identified. In this aspect a line by line coding is useful and forces the process of studying each line of data to ensure that a conceptual understanding is gained and completing initial coding as quickly as possible ensures spontaneity. GT encourages the use of gerunds (the nun form of a verb e.g. understanding or defining. This process helps to capture the movement of and to define exactly what is happening in the data identifying the theoretical direction implicit or explicit in the data and also helping to uncover the themes from the emergent stories from the data. Coding is an emergent and interactive process in GT.

3.5.3 Theoretical Credibility

A major strength of GT lies in its theoretical sampling. This form of sampling checks and expand the properties of the initial sample. This is an iterative process and may involve returning to data or interviews many times to increase depth and precision of the categories and the knowledge and understanding of the people involved. The preceding

general examination of methodological options would appear to rule out a positivist methodology for a satisfactory examination of CSR and its relation to sense making and organisational benefits. This fits well with the grounded theory model, where data are collected and a theory subsequently developed to account for the data illustrated.

The use of Grounded Theory in the study of CSR, as noted previously, has been used (Morimoto 2004). However in the conclusions of this paper Morimoto notes that the literature review revealed no studies of a similar nature using Grounded Theory to investigate CSR. Since then Lindgreen et al (2010) and Maon et al (2009) have applied GT in a more generic form and not in the Straussian (1998) way adopted in this study (see 3.3.1). The use of Grounded Theory in Murimoto et al (2005) identifies the relationship between CSR and sustainable development, and considers the best approaches for measuring CSR. The parallels with the research of CSR its benefits and sense making are clear and although the Murimoto et al paper concludes that using Grounded Theory in this regard is novel, it does help to make sense of a complex issue by encouraging a rigorous scientific approach to be taken to what is a relativistic study.

3.6 Case Study

3.6.1 Overview

Within the realms of qualitative research there are four broad distinctive categories: phenomenology, ethnography, grounded theory and case study (Saunders et al 2003, Silverman 2011). Each of these categories is a credible and rigorous category with clearly agreed processes for ensuring academic rigour this study utilises two of the categories to ensure additional rigour, validity and to show that case studies developed via Grounded Theory will give additional insight by virtue of the construction of the cases and the underpinning application of Grounded Theory.

A case study is "an empirical enquiry that investigates a contemporary phenomenon in depth and within its real life context." (Yin 2014 p16) Westgren and Zering (1998) argue that in-depth case study research is more effective in addressing what is currently happening within an industry and why it is happening.

The use of case studies developed through Grounded Theory in social and economic research is unusual and whilst there are examples of case study in examining CSR as a development of the triple bottom line (Murimoto et al 2005), as a strategic theme for businesses (Maon et al 2009) and the use of GT sampling techniques by Lindgreen et al (2010) there are no available methodological papers found that utilise Grounded Theory in the development of multiple case studies investigating employee sense making and CSR.

The in-depth case study approach gives greater insight into the field of study within a real life context. (Soosay, Hyland and Ferrer, 2008; van Hoek, 1997). Case studies offers a multi-dimensional and flexible assessment of CSR through detailed exploration and identification of a set of complex key areas and events from the perception of a broad

range of organisational employees and gives additional insight into how sense is made of it. This permits the collation of an extensive information and data set for the enhancement of the academic research and the development of theories. This should also benefit various key personnel in a more practical way (e.g. managers) operating at various levels of the organisational hierarchy and over a significant time period to give a longitudinal basis to the case studies, within the particular organisations and businesses sectors (Soosay, Hyland and Ferrer, 2008).

This is not to suggest that case study is universally accepted as being valid. The methodology has been criticised in the past with regard to ensuring rigor due to their soft nature and sometimes lack of structure compared to many qualitative statistical methods (Seuring, 2008). It is therefore important that appropriate steps are taken in the design and execution of the study to overcome these problems thus the application of Grounded Theory to provide the necessary rigour and structure. The subject of validity and reliability are further discussed in section 3.9.

One of the most common solutions to the criticisms are to perform multiple case studies as opposed to single case studies, to use a longitudinal study and to ensure that within each case there are a number of factors that might be considered discrete cases. Yin (2003, 2014) argues that the use of multiple cases provides more compelling evidence and is therefore regarded as being more robust. In addition, a qualitative multiple case study allows for both comparison between individual companies or cases and the collection of increased, in-depth, exploratory data which allows for the identification of a greater number of unknown conditions and events (Soosay, Hyland and Ferrer, 2008).

The combination of several different methodological approaches has been shown to strengthen qualitative research. This process, known as triangulation,(Saunders 2003 p99) whereby the combination of primary data gathered from interviews and secondary documentary data sources can strengthen and add weight to the validity of the research findings (Gill

and Johnson, 2010). Qualitative case studies allows for the adoption of a combined and integrated method approach, not only improving rigour, but also to enhancing the exploration and understanding of the topic while allowing the researcher to develop the best possible methodology for the given area of research (Gilmore and Carson 1996; Carson et al., 2001). Once more it would seem that the building of the case studies via Grounded Theory helps with this process of triangulation and supports that longitudinal basis of the study by allowing direct comparisons over a significant timescale within all three organisations.

In light of the research questions and the aims and objectives, a qualitative multiple case study approach using a mixed but integrated and aligned research methodology was decided as being the most appropriate way of developing the research and interrogating the research question. Within the context of this study, the case study approach allowed for the investigation and examination of the studied phenomena 'within a real life context and explore 'why' and 'what' is happening in a current situation' (Yin, 2003, 2014, Westgren and Zering, 1998). Case study additionally provides the opportunity for a much more holistic view of what is happening within a business, enabling the researcher to 'see the whole picture' (Yin 2014). Finally, this method was chosen as it is considered to be one of the most effective means of obtaining a broad range of data rich information (Carson et al., 2001).

To provide insight into corporate approaches and investigate the supply-side of CSR, three case studies have been prepared using in depth interviews and developed by a rigorous application of Grounded Theory to each of the cases under consideration to identify examples of how organisations operationalize the concept and allow for exploration and identification of any general principles. This part of the research draws on previous case study methods (Yin, 2003; Holt & McNulty, 2008), albeit recognising that there is a dearth of previous CSR case study work to build on.

The case study approach espoused by Yin & Heald (1975) suggests it works best when case studies are heterogeneous and the researcher seeks to assess the individual characteristics of each drawing on qualitative evidence. The case studies selected here satisfy that requirement. Classic approaches to cases study focus on single entities (Yin & Davis, 2007), though case study research also seeks to describe and explore events as they occurred and can be used to consider how innovation processes occurred (Yin 2014). In this instance, the case study model is adapted to focus on three individual organisations' approaches to CSR activity and reporting.

Recent case study research (Lindgreen et al., 2012) selected five firms to focus on, each with a recognised market profile allowing the research team to study highly complex issues and draw conclusions with a good degree of certainty. It is also noted (Lindgreen et. al., 2012) that additional investigations above five cases are less likely to yield further insights – the longitudinal nature of this study and the dispersed geographical nature of the business units in Boots gave more than five individual cases. Whilst they do not fully support Lindgreen's (2012) assertion there was a clear diminishing return in the latter stages of the research. Case study supports the three tenets of qualitative method; describing, understanding and explaining, for the purpose of presenting the situation for each organisation (Tellis, 1997). The case studies focus on understanding the approaches and perspectives evident in both corporate reporting of CSR in publicly available documents and in the perceptions of staff in its meaning and benefits. Selection of case study organisations is discussed in section 3.6.5 but in part it was on the basis that they are commercial organisations with: CSR information in the public domain; a track record of CSR; and, a recognisable brand. The three case study organisations which are discussed further in 3.6.5 are:

Alliance Boots – an organisation that has undergone significant changes in its ownership structures in recent years giving insight into how a public and privately owned organisations deals with CSR from a national and

international perspective. Alliance Boots trades under the name Boots and the two names are used interchangeably

Lincolnshire Co-operative – a large local business that competes with Boots in many key local markets

Co-operative Bank – a large national hybrid Co-operative organisation that positions itself as an ethically led business.

The case study analysis provides a range of qualitative material to inform the study about corporate approaches to CSR and the perception of key stakeholders – the employees. Whilst it relies to some extent on published material (e.g. annual reports, CSR reports, sustainability reports); the main focus of the data comes from the employees and a series of interviews carried out over a period of years involving a significant sample from each of the organisations under consideration and encompassing a wide range of geographical sites, business units and staff at all levels of the organisational hierarchy from front line operatives to senior managers and directors (see appendix 4 for further details).

Case studies are a way to have an integrated, in-depth investigation to understand the behavioral conditions through the researcher's perspective. This approach enabled researcher to closely examine the data within a specific context. For instance Yin 2014 defines a case study as an "empirical inquiry that investigates a contemporary phenomenon in depth and in its real world context especially when the boundaries between phenomenon and context may not be clearly evident" (Yin 2014 p 16). Case study enables the researcher to have a big picture of the phenomenon being investigated as he is directly involved in the process of data collection and analysis. Yin (2014) goes on to point out that one of the condition for the case study presented by is the kind of research question posed. As was noted previously, case studies are the preferred strategy when "how" and "why" questions are posed. The main focus of this thesis is to examine how employees interpret and make sense of CSR and how the construct is

operationalized. This is fully aligned with the 'how' and 'why' questions that Yin (2014) recommends case study as an appropriate method of investigation. .

In Addition, Yin (2014) presented different applications for a case study approach these include: The explanation of intricate casual connections in real- life interventions, the description of real-life context where the intervention happened, the intervention *per se and* finally the exploration the exploration of situations in which the intervention is being assessed with diffuse/unclear outcomes

Case studies can be quantitative or qualitative (Stake, 1994) or a combination of both. Yin (2014) considers case study as a qualitative approach in which the investigator explores a case or multiple cases and throughout the time by applying in-depth data collection involving sources among which the observations and interviews.

Yin (2003: 2014) has identified some specific types of case studies: *Exploratory*- This type of case study is used to explore those situations in which the intervention being evaluated has no clear, single set of outcomes. Furthermore, this type of case is suitable for research questions that focus on "what" questions.

Explanatory- explain why or how something take place, and this type of case study is more appropriate to those studies which research question are more likely to be of the "how" or "why" and finally *Descriptive*- intervention or phenomenon and the real-life context in which it occurred (Yin, 2003).Research questions here can again focus on "what". In the same vein Stake (1995) added three others which are *Intrinsic* when the researcher is interested in the case and wants to dive in the case to obtain deep understanding and use; *Instrumental* - when the case is used to understand more than what is obvious to the observer; *Collective* - when a different cases are studied so as to investigate a particular phenomenon This author emphasized that the number and type of case studies depends upon the purpose of the inquiry.

3.6.2 Advantages and Disadvantages of Case study

Case study is mainly used when the investigator has little control over events, and when the focus is on a contemporary phenomenon within some real-life context." (Yin 2003 p.1). As with any other method, it presents advantages and disadvantages. For example one of the main advantages is that the case study enables the researcher to tailor the design and data collection procedures. In conducting a case study the researcher has the benefit to gain a holistic understanding from a specific case. Gummesson (1991 p76) reinforces that case study research gives the opportunity for a holistic view of the process: "The detailed observations entailed in the case study method enable us to study many different aspects, examine them in relation to each other, view the process within its total environment and also use the researchers' capacity for investigating the phenomena Case studies enable the researchers to have a deep understanding on the way a given intervention worked. Due to its contextual nature the case study enables the researcher to addressing contemporary phenomena in real-life contexts in detail from many different viewpoints and deal with a full spectrum of evidence such as documentation, artifacts, interviews and observations.

There can be issues around external vs internal validity which has been seen as one of the main disadvantage in the use of case study. Miles (1979) argued that the case study's usefulness is limited to an exploratory phase in a hierarchically arranged research programme the researcher takes the role of the disinterested observer; he/she has no vested interest in whether the research turns out one way or the other (Guba & Lincoln, 1994). Whilst case study has limitations from a nomothetic perspective and misapplication can produce incorrect or inconsistent findings these difficulties can be avoided. Suitable design of the case study is critical if the common pitfalls of this research strategy are to be overcome.

3.6.3 The Process

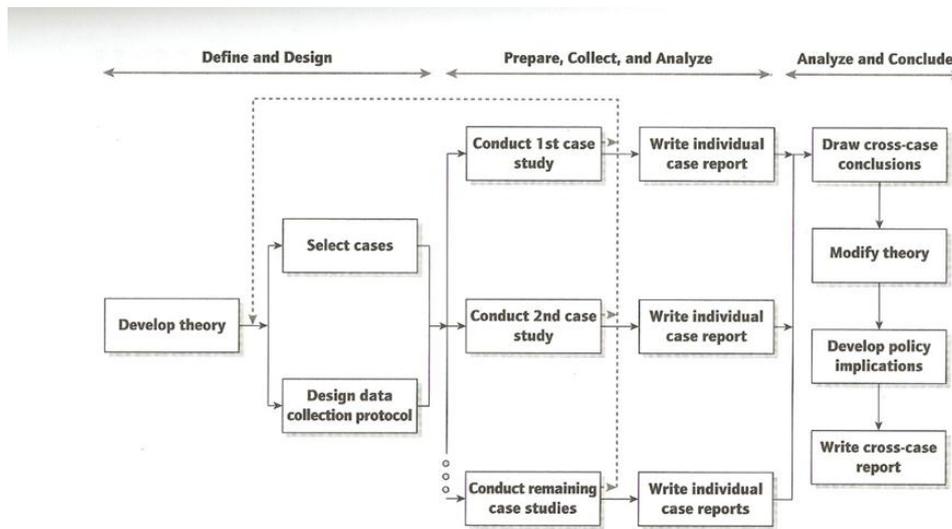
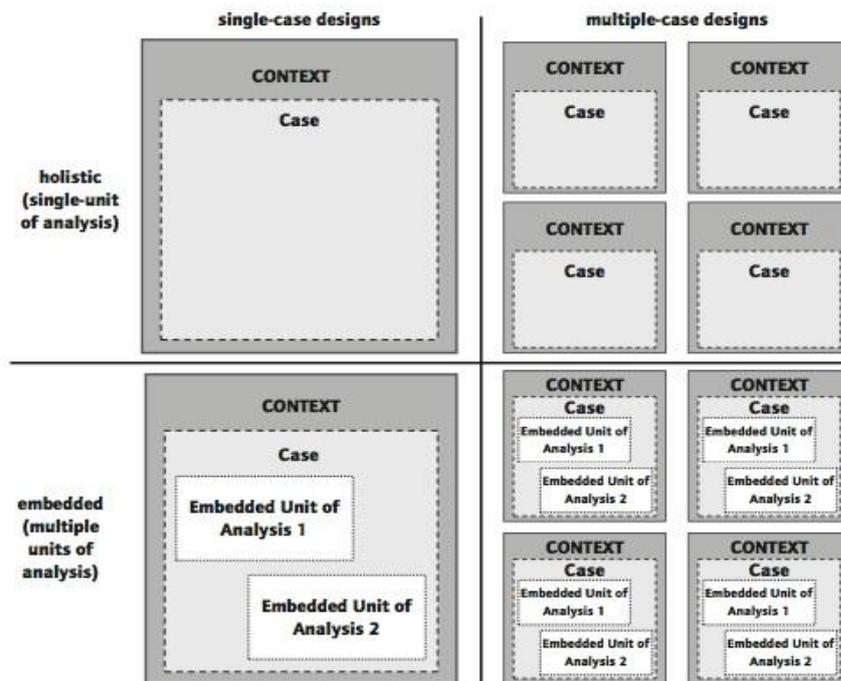


Fig 3.3 Case Study Research (Yin, 2014, p.60)

The process undertaken is outlined in Fig 3.3. As discussed in section 3.4 whilst a GT approach would naturally suggest a lack of any preconceived theoretical frameworks this is likely to lead to a mass of data ‘waiting for a theory or a fire’ (Coase 1998; 230). It is not possible to ignore prior knowledge and as such this study is premised on the fact that CSR exists, that it makes a positive contribution to organizational life by providing a framework for staff to make sense of their work environment and that there are organisational benefits to it. The cases were then selected (see section 3.8) and constructed via the data gathered from the GT process. These were then written up and cross case conclusion drawn. These conclusions were then reviewed in the light of the literature review and the theoretical frameworks were modified and adapted. This process is detailed in section 3.10 where the process is discussed in detail.

3.6.4 Justification of Cases Selected

Inductive research studies are therefore largely based on a framework that consists of *a sample of cases* chosen for their diversity where the study can explore multiple practice, describe the diversity of practice and explain the critical mediating factors (Yin 1993). Yin (1994) describes four basic research designs and positions them in a two-by-two matrix. The first dimension concerns the use of single or multiple cases. The second dimension concerns the use of a single-holistic unit of analysis or the use of multiple, embedded units of analysis. Yin suggests that the choice of case design depends on the type of question that the research is asking, the degree of control that can be exercised over the case, and the focus on current or prior phenomena. This study involves multiple cases and multiple units of analysis, and in Yin's terminology is a multiple embedded case study, type four (Yin 2014, p. 50) and is given in Fig 3.4



Basic Types of Designs for Case Studies

Fig 3.4 Case Design Source Yin 2014 p 50

Multiple cases offer a robust framework for data collection (Remenyi et al, 1998), and are a source of explanatory data to feed subsequent generalizations about the how and why of the network explored. These multiple case studies are included to increase the explanatory power and generalizability of the data collection process (Miles & Huberman 1994)

Single case studies are vulnerable and Yin (2014 p63) strongly recommends that where possible multiple cases are used as the analytical benefits of using multiple cases are significant. The benefits include the possibility of direct replication of results and this is likely to provide additional validity to findings. General criticism of single case studies tend to be around unique or artifactual conditions around the case and having two or more cases is likely to negate such criticism. Where this is not possible it is suggested that either a longitudinal study be carried out or that multiple cases are considered within the same organisation as this is likely to increase validity

3.6.5 Selection Criteria

Available resources impact the population that any selection criteria can be applied to In addition with a theoretical sample, there is a necessary reciprocity between selection criteria and subject with an element of serendipity influencing the choice.

A range of criteria that may be used for selection including

Sector

Turnover

Number of Employees

Geographical location

Accessibility of sites

An additional number of conditions had were added to ensure that the cases were appropriate and met the requirements for theoretical sampling so each case had to be

willing to engage

believe that CSR is an important facet of their organizational context

having specific initiatives

have a structure complementary to the others

The selection criteria consisted of a range of factors given in table 3.2. The aim was to examine a range of organizations from different sectors to ascertain the main factors that impact the sense making process and the operationalization of CSR. One of the key factors was their willingness to engage in the process and whilst there were many organizations that the author had access to at a superficial level there was a need to full engagement at all levels of the organization in order that the cases had validity that will be considered in section 3.7. Initially a review of organizations where access would be possible was drawn up and ranked according to table 3.2 The criteria for selection were initially based on access – organizations who had indicated that they may be willing to participate in a study of this nature. These were then categorized by ownership structure and then subdivided by size. Finally the impact of values and their CSR credentials was considered. Each of the organizations was measured against their reporting to ascertain if Values and CSR were part of their reporting process. Where a specific report was completed on CSR and/or sustainability then a high scoring was given. If the subject formed part of a broader report then a medium score was allocated and if no mention was made then this was ranked low. The aim was to target 3 organizations that gave insight into the range of structures and sizes to ensure as broad a set of cases as possible. Finally access was considered. Where there was the probability of significant access then this was given a High if access was being routed

through a public facing part of the organization however was still possible this was ranked medium and where it was possible only via a small group of contacts then this was ranked low.

Table 3.2 Case Selection Ranking

| Organization | Investor Owned | Ownership | Size | Values Based | CSR credentials | Access |
|---------------------------|----------------|--------------|------|--------------|-----------------|--------|
| Ardagh Glass | Y | PE | L | N | L | M |
| Hillholt Wood | N | SE | S | Y | H | H |
| Boots | Y | Plc | L | Y | H | H |
| Lincolnshire Co-operative | N | Co-op | M | Y | H | H |
| IBM | Y | Plc | L | Y | H | M |
| Vodafone | Y | Plc | L | Y | H | L |
| Co-operative bank | N | Hybrid Co-op | L | Y | H | H |
| HSBC | Y | Plc | L | Y | H | L |
| Siemens | Y | Plc | L | Y | H | M |
| Bakkavor | Y | PE | L | N | M | H |
| George Adams | Y | Family | L | N | M | H |
| Kerry Foods | Y | Plc | L | N | M | H |
| LandsEnd | Y | Private | L | N | L | M |
| Tesco | Y | Plc | L | Y | H | M |
| Marks and Spencer | Y | Plc | L | Y | H | M |
| Cargill | Y | Private | L | N | M | M |

Initially the top ranked organizations were Hillholt Wood, Boots, Lincolnshire Co-operative, Co-operative bank, Bakkavor and George Adams. At an early stage a number of factors changes and this impacted the final choice. Firstly Bakkavor were sold into Private Equity ownership and access became problematic as did the organizational focus on CSR. Similarly George Adams was sold and access became problematic. Boots had been operating as a Plc and during the initial pilot phase there were reports that the Chairman may with the backing of one of the world's largest Private Equity funds take the business back into private ownership. The organization were clear that they were keen to engage in the

research and that this would give the research the opportunity to note any changes that the new ownership structures might lead to. Lincolnshire Co-operative had been supportive of the research from the outset and were willing to fully engage and as they were a large local employer who had CSR at the heart of everything they did they seemed a most appropriate choice and would provide revelatory, common and longitudinal (Yin 2014 p51) data. Finally the hybrid nature of the Co-operative bank gave the opportunity to study a unique organization over a period of time as some research had already been undertaken with Co-operative bank into their CSR policies and values.

Hill holt Wood was ruled out on the grounds that it was too small an organization to draw any detailed conclusions from and as it operates as an entrepreneurial social enterprise the values and beliefs of its founder and CEO were likely to be disproportionately influential. After much consideration the decision was taken that the cases to form the multiple case study element of the thesis would be Boots, Lincolnshire Co-operative and the Co-operative bank.

Eisenhardt (1989) argues that case studies can be a starting point for theory development and suggests that a cross-case analysis involving four to 10 case studies may provide a good basis for analytical generalization. Instead of conducting and analysing multiple case studies of different organizations, researchers may also conduct different case studies within one organization (a nested approach, e.g., Yin, 1994). The added value in choosing these three organizations is that in addition to them giving cross case analysis of different organizations they also allow for a number of internal cases to be considered. For instance we can look at the different divisions within Lincolnshire Co-operative (Funerals, Pharmacy, Retail, Head Office, and Car Sales). Within Boots we can use geographical case studies and the overlap with Pharmacy and general retail can be considered and the Co-operative bank can be considered as a traditional banking operation and Smile the internet arm which is run as a different operation utilizing a different business model.

3.7 Validity & Reliability

Four criteria are commonly used to assess the rigor of field research: internal validity, construct validity, external validity, and reliability (Yin 2014, Cook and Campbell, 1975). . These criteria have been adapted for use in case studies by Yin (2014), and Eisenhardt (1989). Table 3.3 provides an overview of the four validity and reliability criteria and also gives the research measures or actions that case study researchers might take for each criterion and highlights how the study meets these criteria.

3.7.1 Internal validity

'Internal validity' is also called 'logical validity' (Cook and Campbell 1979; Yin, 2014) and refers to the causal relationships between variables and results. The issue is whether the researcher provides a plausible causal argument based on compelling logical reasoning that is powerful enough to defend the research conclusions. Internal validity refers to the data analysis phase (Yin, 2014: 105). Three measures have been proposed to enhance internal validity. First, case study researchers should formulate a clear research framework, which demonstrates that variable x leads to outcome y, and that y was not caused spuriously by a third variable z. or coincidental correlation Second, through pattern matching, researchers should compare empirically observed patterns with either predicted ones or patterns established in previous studies and/or in different contexts (Eisenhardt, 1989). Finally theory triangulation enables a researcher to verify findings by adopting multiple perspectives (Silverman 2011)

3.7.2 Construct Validity

Construct validity refers to the quality of the conceptualization or operationalization of the relevant concept. Construct validity needs to be considered during the data collection phase. Construct validity reflects the extent to which a study investigates what it claims to investigate, that is, to the extent to which a procedure leads to an accurate observation of reality (Denzin and Lincoln, 1994). One of the criticisms of case study has been that case study researchers sometimes do not develop a well-considered set of measures and that 'subjective' judgments are used instead (Yin, 2014: 46). In order to enhance construct validity in case studies, two measures have crystallized. First, researchers have been encouraged to establish a clear chain of evidence to allow readers to reconstruct how the researcher went from the initial research questions to the final conclusions (Yin, 2014: 106). Second, researchers have sought to triangulate, that is, adopt different angles from which to look at the same phenomenon, by using different data collection strategies and different data sources (Denzin and Lincoln, 1994; Yin, 2004).

3.7.3 External Validity

External validity or 'generalizability' stems from a belief that theories relate not only in the setting in which they are studied, but also in other settings. Case studies tend to be inductive research this neither single or multiple case studies allow for statistical generalization, for example, inferring conclusions about a population (Numagami 1998: 3). This does not mean, however, that case studies are devoid of generalization. We can differentiate between statistical generalization and analytical generalization. Analytical generalization is a process separate from statistical generalization in that it refers to the generalization from empirical observations to theory, rather than a population (Yin, 1994, 2014). Eisenhardt (1989) argues that case studies can be a starting point for theory development and suggests that a cross-case analysis involving multiple case studies may provide a good basis for analytical generalization. Additionally instead of conducting and analysing multiple

case studies of different organizations, researchers may also conduct different case studies within one organization - a nested approach,(Yin, 2014). Finally, researchers should provide a clear rationale for the case study selection, and ample details on the case study context to allow the reader to appreciate the researchers' sampling choices (Cook and Campbell 1979: 83). Thus the research has a high degree of analytical generalizability and a high degree of validity as it evidences cross case analysis and the nested approach described by Yin (2014)

3.7.4 Reliability

Reliability' refers to the absence of random error, enabling subsequent researchers to arrive at the same insights if they conduct the study along the same steps again (Denzin and Lincoln, 1994). The key elements of this process are transparency and replication. Transparency can be enhanced through measures such as careful documentation and clarification of the research procedures, for example, by producing a case study protocol — a report that specifies how the entire case study has been conducted. Replication may be accomplished by putting together a case study database, which includes the case study notes, the case study documents, and the narratives collected during the study, organized in such a way as to facilitate retrieval for later investigators (Yin, 2004), thus facilitating the replication of the case study (e.g., Leonard-Barton, 1990).

Gibbert et al (2008) suggest a set of criteria to help identify the methodological rigour of a case study taking into account the internal, face and external validity combined with reliability. Table 3.3 adapts this framework into a table format and evidences how this study meets these criteria.

Table 3.3 Validity and Reliability (adapted from Gibbert et al 2008)

| Internal Validity | Construct Validity | External Validity | Reliability |
|--|---|--|---|
| Frameworks are explicitly derived from the literature – this is evidenced in the Literature review and the subsequent use of academic frameworks | Multiple sources of evidence – the use of multiple cases evidences this | Use of multiple case studies – multiple case studies undertaken | Case study protocol - report of there being a protocol or report of how the entire case study was conducted – full details given in case |
| Pattern matching i.e. matching patterns identified to those reported by others – The GT process develops patterns within and between the cases chosen | Data triangulation – data is given in detail in the case studies and triangulated via repeated interviews with a wide range of employees | Clear rationale for cases chosen – rationale given in methodology chapter | Case study database – provide available documents, interview transcripts, archival data – available in appendices |
| Theory triangulation – both theoretical and data triangulation are given in the case studies | Peer review – material has been peer reviewed by BAM, ICA and IMP colleagues and supervisors | Replication logic – rationale provided in methodology chapter | Organizational details given explicitly and not anonymized – all organizations named. Additionally Appendix 2 contains one full transcript of interview with named participant |
| Explanation building in a narrative form – the GT process involves discussing the story (3.10.7) | Clear chain of evidence – the GT process has been explicitly explained | Details on case study context e.g., industry context, business cycle, financial data – available in the cases | |

3.8 Research Strategy and Design

3.8.1 Research Design

Research design might be compared to the process of following a recipe where the instructions for combining a set of ingredients produces an outcome that is desirable (Hair 2003). As such research design can be conceptualized as the steps involved in planning and executing of a project from the early interest in the topic, identification of the question to be investigated, the actual investigation of the subject through to the final evaluation of the results (Punch, 2005). The design process helps to link the research questions to data (Denzin and Lincoln, 1994) by determining the most appropriate strategy and tactics to apply. The design takes into account the 'who' or 'what' will form the focus of the study (Yin 2003) and should guides the choice of the most appropriate methodological tools and techniques for collection, analysis and interpretation of data (Punch, 2005). The process for designing this study is given in Fig 3.5 below

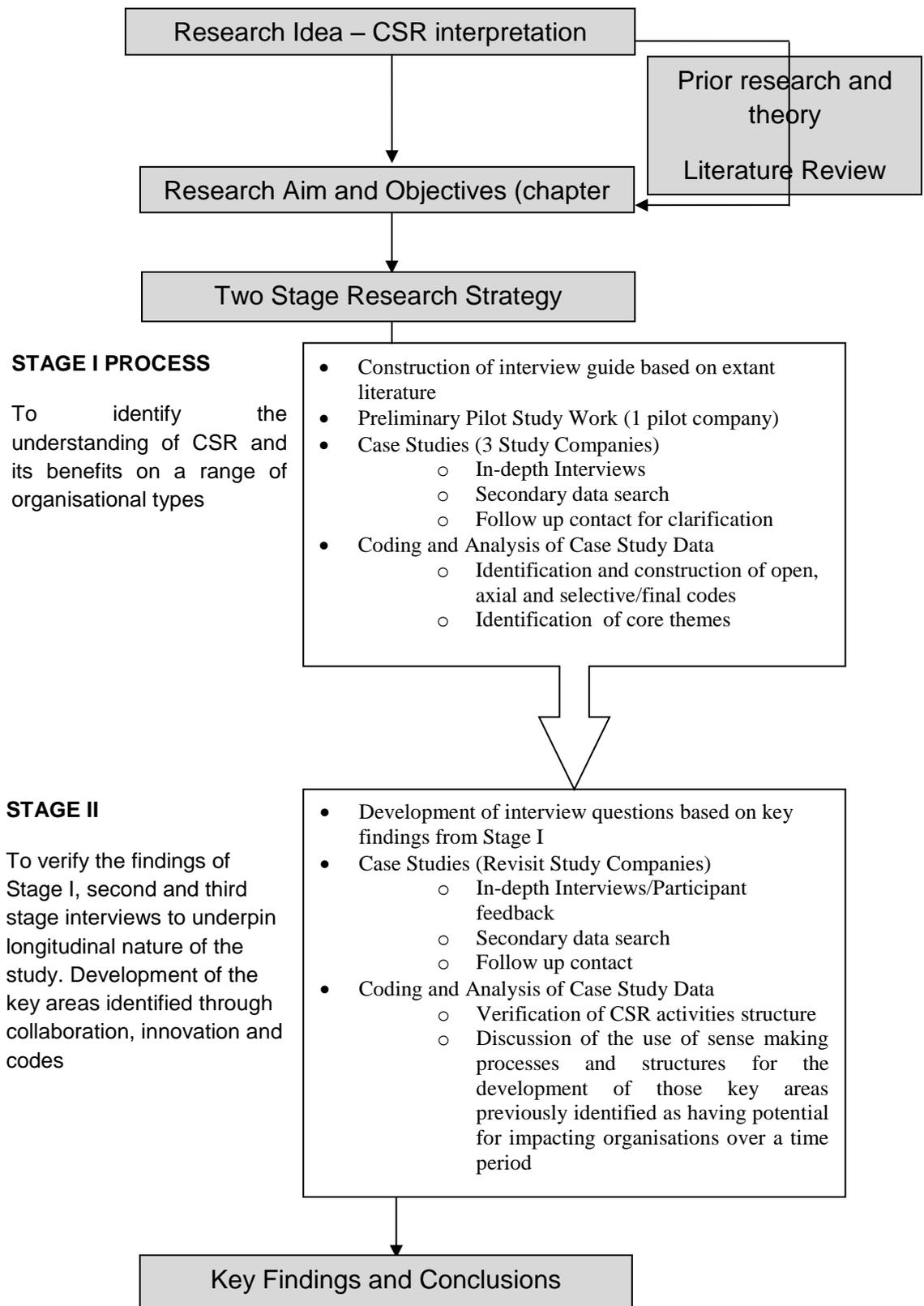


Figure 3.5 The Research Process

3.8.2 Qualitative Data Collection

Strauss and Corbin (1998) described qualitative research as any kind of research that produces findings not arrived at by means of statistical procedures or other means of quantification. As was previously discussed in section 3.1 a qualitative methodology was appropriate for this study and the data was collected in accordance with the interpretivist paradigm which assumes an ideographic approach where the whole situation needs to be examined in order to understand the reality of a given phenomenon. Figure 3.6 provides an overview of the main areas covered within this section of the chapter.

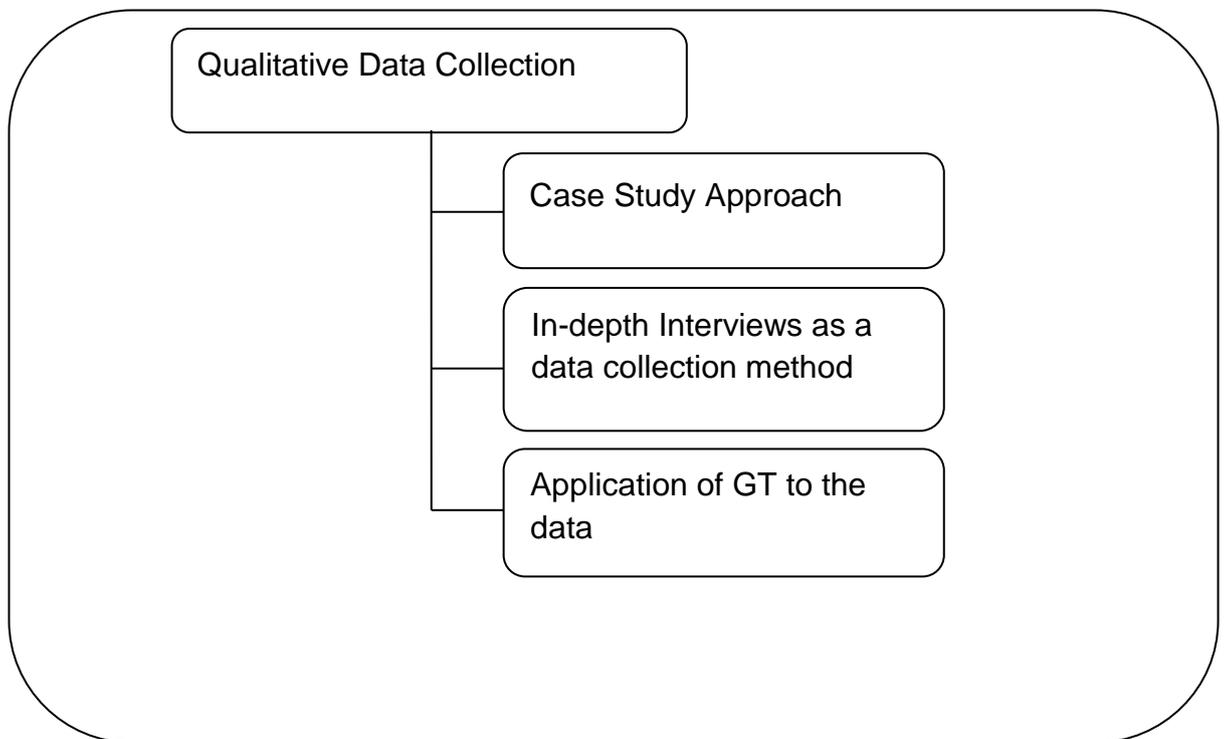


Figure 3.6 Outlines of key areas covered in Section 3.8

3.8.3 Integrated data collection methodologies and sampling strategy

An integrated research case study approach was undertaken by adopting two main data collection techniques – the use of primary data through interview and secondary data through publically available reports (see figure 3.7). Carson et al. (2001) argue that such an approach - using multiple methods - is important for the determination of attitudes and opinions of employees, managers and the managerial processes. It was seen as of fundamental importance that the acquisition of such opinions from the participating managers, employees and senior leaders was vital to the outcome of the study. In addition, the use of integrated multiple techniques within a study allowed the researcher to more effectively develop the best possible methodologies specifically for their own study and more readily enable them to address issues peculiar to their specific research. As such the study of publically available information such as CSR reports and annual reports and company web sites as well as NGO reports and credible newspaper articles was seen as adding additional value to the study.

In any research exercise there are a number of options for sampling. In the case of the research being conducted sampling was necessary as it would not be possible to interview the entire population of any of the organisations involved. Sampling falls into two broad types Probability and Non Probability (Saunders, Lewis and Thornhill 2012). Probability sampling is most commonly associated with survey based and quantitative research (Saunders et al 2003, Easterby Smith et al 2012) and thus were quickly discounted. This left the use of non-probability sampling with its core techniques of Quota, Purposive, Snowball, Self-selection or convenience (Saunders, Lewis and Thornhill 2012). To add a level of complexity to this Theoretical Sampling (Strauss 1998) is the underpinning sampling strategy for GT as discussed in section 3.5.2. Theoretical sampling is premised on the requirement that critical cases

are chosen to develop concepts and categories and so to develop the concepts and categories that will allow the process of constant comparison (Strauss and Corbin 1998, Corbin and Strauss 2008). This process is continued until saturation is reached. Purposive (or judgemental sampling) is a very similar process where the cases are selected to enable the answers to the research questions thus the cases and the subjects are chosen to give more insight into the subject and only when saturation was reached were the interviews stopped. This led to the development of a strategy that was based on Theoretical Sampling which is '*...purposive , where critical cases are chosen to develop the development of concepts and categories and to explore the relationships between them to develop a theory*' (Saunders et al 2003, p.399).

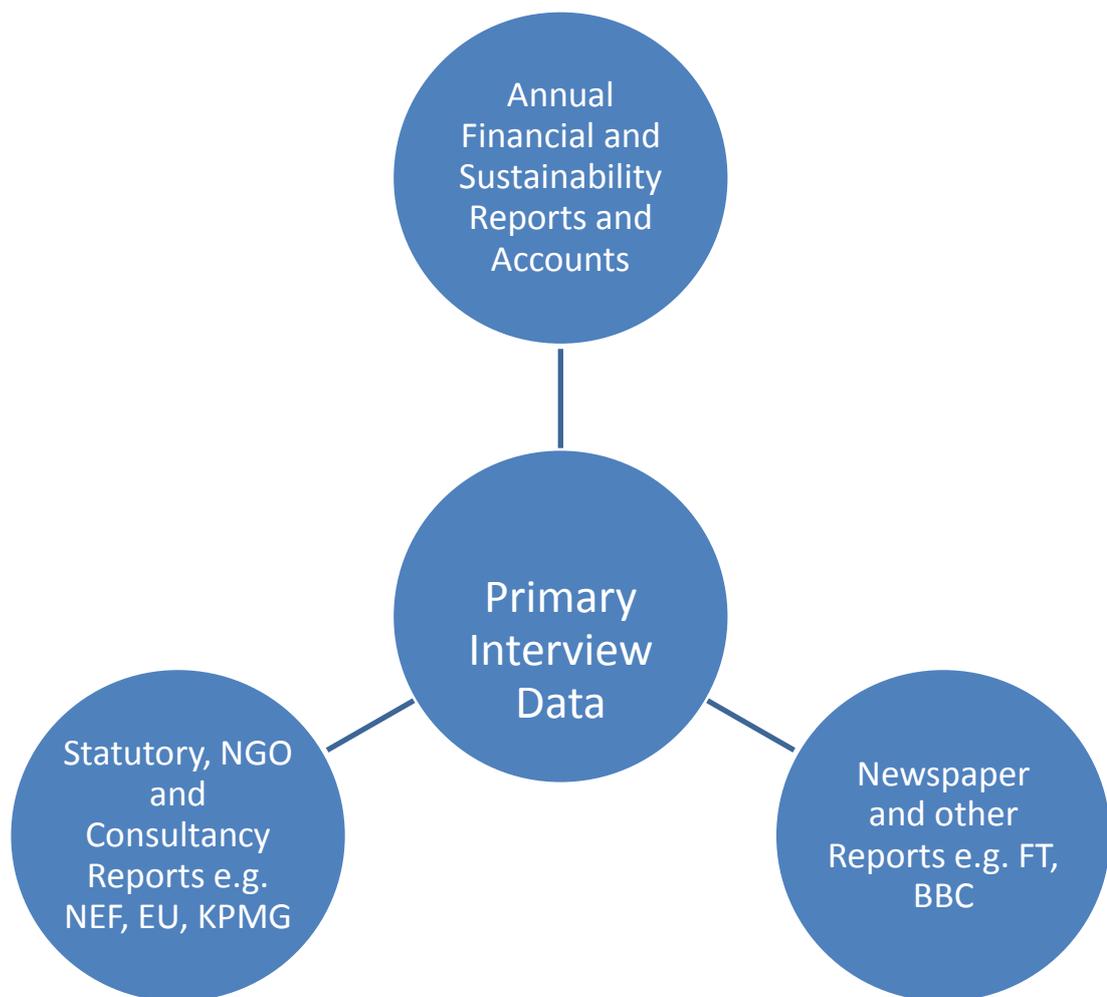


Fig 3.7– Data Collection Sources

3.8.4 In-depth interviews as a data collection method

Interview data is generally accepted as the key source of information obtainable for qualitative research (Yin, 2003, Glasser and Strauss, 1967) and has been referred to as '*prospecting for true facts*' (Silverman, 2011 p 153). The use of in-depth interviews is usually the foremost application of data collection within both Grounded Theory (Strauss and Corbin 1998) and case-based study (Yin 2014). The process of in depth interviewing might be seen as a way of discovering the differing perspectives and finding out the impact of feelings, perspectives values and interpretation impact the subject in a way that is unlikely to be possible through surveys or secondary research data. The interview process is designed to give insight into both understanding and the sense making processes but it is likely to give insight into the lived reality that participants perceive and this was thought to be of particular importance considering the subject under investigation.

The interviews were conducted face-to-face and took significant amounts of time to conduct – up to 2 hours in some cases but never less than 1 hour. The use of interview, especially face to face, as the primary method of data collection meant that there was an opportunity to sense check the information being collected and to ensure direct clarification and feedback from participants as to their meaning and context. (Gubrium and Holstein 2002). This assisted significantly with the process of memoing (Strauss and Corbin 1998) where notes could be made on interviewees general demeanour and highlight specific comments made. This gave more insight into the comments made and added much value to the process and allowed for significant insight to be gained into the data.

Whilst in depth interviewing can provide significant detail and insight one of the key problems with the process is that it relies on the interview skills and techniques of the individual carrying out the interviews (Gubrium and

Holstein 2002; Saunders, Lewis and Thornhill 2012). Despite the decision to use semi-structured interviews these can vary significantly from being relatively structured and following a focused series of topics to being relatively unstructured with only a very broad structure. The decision as to which option to take is influenced by not only on the design and the objectives of the study but also of the attitude and communication skills off of the interviewee and to a lesser extent in this case to the context that they are carried out in. The decision to use a middle ground approach was based on a number of factors (the questions are available in appendix 3) Firstly there were a wide range of participants from all three organisations involved. This meant that there were a wide range of educational attainment, different positions in the organisational hierarchy, different cultural backgrounds and socio-demographic categories and different levels of interest and understanding of the concepts being discussed. In addition the exploratory nature of the research meant that an open discussion was likely to give more insight and could be permitted although the need to gain insight into specific areas meant that a degree of direction in keeping with the subject area to facilitate the gathering of relevant information was required. Therefore, based on a review of the extant literature (Saunders et al2003, Corbin and Strauss 2008, Gubrium and Holstein 2002), the choice of semi structured interview was decided upon.

3.8.5 Semi-structured interviews

Within the framework of a semi-structured interview, the interviewee was sent a copy of the interview areas that the interviewer wanted to cover. The purpose of this was to allow the interviewer to ask the interviewee about the predetermined subject areas although in a way that the interviewee felt comfortable with and to allow the interviewee to seek any clarification in terminology prior to the meeting (no interviewees sought clarification). In addition it gave interviews time to reflect on the questions prior to the meeting. The questions were not used in an inflexible manner or rigid order and where they were not appropriate to an interviewee or

where they had been answered in a previous question they were acknowledged but not used. This allowed the questions to become part of the 'interview guide' and helped to give interviewees a better understanding of the purpose of the research as well as ensuring that all of the relevant points were covered and information and data gained.. The exploratory nature of the process again allowed adaptations or amendments to the process to be made but the interview guide ensured that consistency was achieved. This gives the researcher an opportunity to interrogate a specific response in order that additional detail might be discovered or that unanticipated themes could be further developed and explored (Gubrium and Holstein 2002). This encouraged new and related topics arising from the interviews to be properly followed up and discussed if they seemed as if they might provide relevant rich data or additional insights.

One of the advantages of in-depth interviews is that the researcher gains a more accurate and detailed picture of a participant's position (both hierarchically and philosophically), attitude and beliefs and in the case of the research being undertaken this proved invaluable as it gave a degree of understanding into how the relationship between CSR and the lens being applied to make sense of it. This was possible because of the use of open and probing questions (Saunders, Lewis and Thornhill 2012) and gave the interviewee the ability to answer the questions freely and according to their own interpretations whilst ensuring that the responses are not constrained by either a few alternatives or the use of closed directional questions. During this process there is importance in the researcher remaining objective and not be tempted to impose their own perspectives on the interviewee (Saunders, Lewis and Thornhill 2012).

3.8.6 Longitudinal Study

The decision to take a longitudinal approach to the study was premised on the fact that it was likely to add validity and that it was likely to reveal the relative stability of the construct under consideration. Repeated observations were taken over a significant period of years during which

time there was considerable turbulence in the markets of all of the organisations involved and for two of the cases there were changes in the ownership structures. These allowed the impact of these changes and of the external factors to be examined closely and these are reported in chapter 7.

Longitudinal studies tend to be based primarily on qualitative studies (Collis & Hussey 2013) and a distinctive feature of a longitudinal study is that there is a 'chain of studies' (Hussey and Hussey, 1997 P.63) where each link in the chain consists of an examination of a re-examination of a related group or phenomenon. The early links in the chain are more exploratory whereas at the later stages theory is generated. This improves the validity and the applicability of the theory being developed and this can be seen in the discussions in chapter 7 where the theories that developed from the longitudinal study are discussed in detail.

The longitudinal nature of the study meant that the researcher was able to gain subject knowledge and understanding as the study progressed and was able to identify trends and developments in the context of the cases that were likely allow for a degree of generalizability of findings as can be seen in chapter 7 where the themes are discussed in more detail. One of the risks in a longitudinal study is where one or more of the organisations involved withdraw co-operation for the study. In addition it is a time-consuming and resource intensive. By maintaining a close relationship with all of the organisations involved it was possible to minimise these risks and to ensure that the longitudinal nature of the study was maintained.

Finally the longitudinal nature of the study meant that the risk of individual events impacting the data disproportionately was minimised. Hence it was possible to discount for example the changes in ownership in for example Boots when the Chairman and the private equity firm KKR took it from public into private ownership. As we can see in chapter 7 this had no real impact on the staff however without the longitudinal nature of the study this would not have been possible to identify or discount. Further when Boots was then sold to Walgreens the longitudinal nature of the study allowed this to be tracked further and to note that this incident

appears to have little impact on the values and culture of the organisation.

3.9 Stage I

For ease of description the interventions will be described in discrete phases. Whilst it is possible to group the interviews in this way the reality was that the process was more emergent and interviews took place in periods contingent on availability and resources

3.9.1 Interviews

The longitudinal nature of the study means that there were interventions at different times in the three organisations however for ease of description these are generalised into stages. This does not suggest that each stage was a single and discrete intervention rather that it could be categorised into general stages. The design and formulation and execution of Stage I interviews and observation studies for 3 participating companies is detailed below. Figure 3.8 outlines the key areas that are covered in this section.

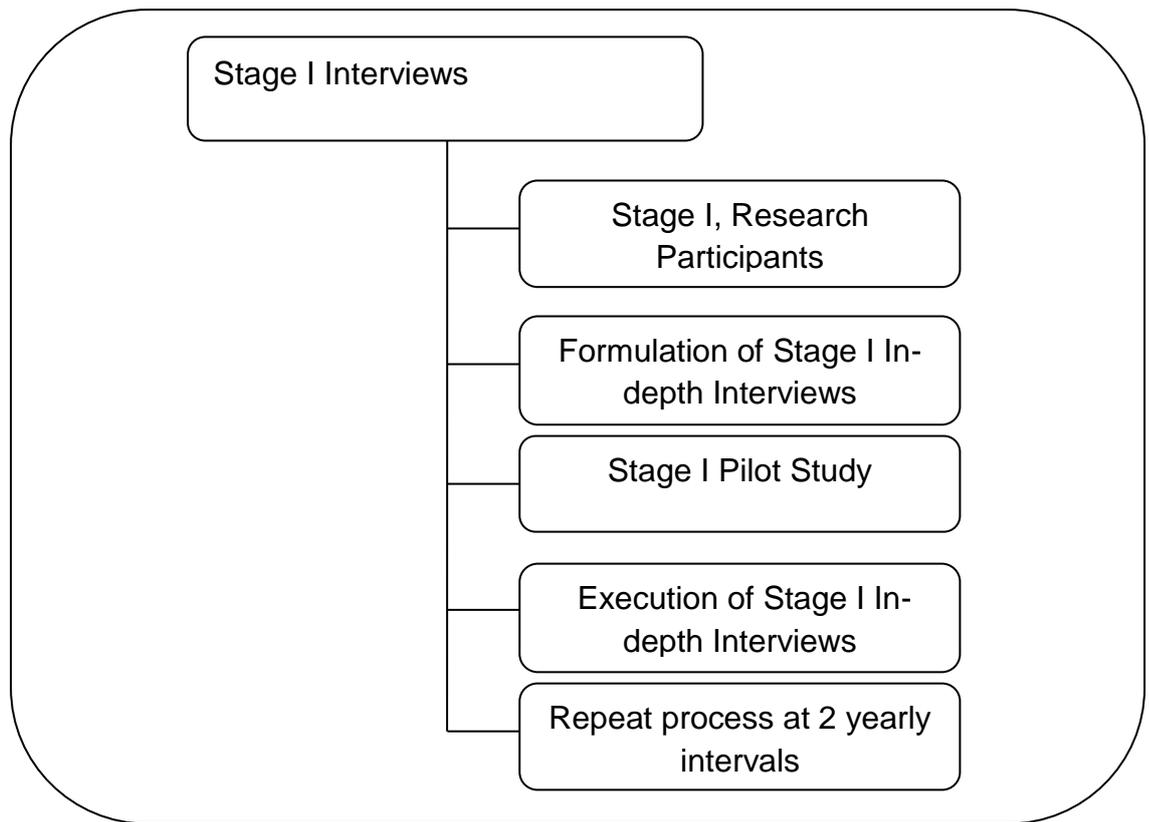


Figure 3.8 Outline of key areas covered in Section 3.9

3.9.2 Stage I Research Participants

As noted in section 3.9.1 theoretical sampling was chosen as the sampling strategy whereby a number of target companies deemed to be the most productive sample to answer this research question (Strauss and Corbin 1998, Corbin and Strauss 2008) were contacted by the researcher. The company participants were specifically selected because of the business structure, the espoused values and the accessibility that might be granted. This research aimed to build an understanding of the impact of structure and the perceived benefits of CSR policies by a range of key stakeholders in an organisation – that of staff at all levels

Initial contact with all the companies of interest was made by the researcher by a telephone call to each individual company to assess

initial interest in participation in the study. The nature of the research was described as an investigation into the impact of structure and culture in the operationalization of CSR and the perceived benefits to staff of CSR.

The companies initially targeted met a number of criteria. Firstly their organisational literature suggested that CSR, Values and Ethics were of significant importance and secondly they covered a range of organisational structures, sizes, sectors and configurations however the aim was that there is some element of similarity to allow comparison. Those conveying an interest in participating were asked to provide a time suitable to them in order to explain the nature and requirements of the study. Where this was agreed, a follow up visit to the company by the researcher was carried out. Details of participation were then discussed in greater detail with the company representative. They were advised that their participation would involve a series of interviews with a broad range of staff and that this would form the basis of a case study for comparison over a time sequence and across sectors. The researcher assured each individual that the identity of each company would be protected although that for the purposes of the thesis they would be identified and that the content and that any direct quotation reported in the written thesis would remain anonymous. Participants were then advised that a follow up telephone call would be made to confirm a time for the first interview to take place. There were some exceptions to the rule of anonymity. In each organisation the most senior executives interviewed were asked if their quotes could be directly attributed. This was done to enhance impact and validity and it was felt that as these individuals were senior they were less likely to fear any political consequences. The individuals that this request was made of were The Organisational Development Director at Boots (Stewart Branch) and the HR Manager at Lincolnshire Co-operative Heather Lee. Both were happy to agree to the request.

As discussed in section 3.6 in total 3 organisations were enrolled onto the study stage 1

Table 3.3 Overview of Stage I Study Participants

| Company Participants | Main Functions | Type | Location | Number of Employees (Number Interviewed) |
|--|---------------------------------------|------------------------|------------------------------------|---|
| Company A Alliance Boots | Pharmacy, Health and well being | PLC | Full national Europe and USA | 150,000 (86) |
| Company B Co-operative Bank | Bank | Co-operative hybrid | Full national | 9,000 (53) |
| Company C Lincolnshire Co-operative Society | Local Co- operative | Co-operative | Local county wide coverage | 2,700 (44) |

3.9.3 Formulation of Stage 1 In-depth Interviews

A set of structured/semi-structured and open ended questions were developed to allow collection of a broad range of detail rich information while ensuring all relevant necessary data was successfully collected. The first stage interviews were therefore constructed in order to fulfil the following objectives:

1. To identify the key CSR initiatives of Company.
2. To determine individual perceptions of CSR.
3. To determine the key drivers of CSR.
4. To identify the impact of organisational values.
5. To investigate impact of organisational culture.

The interview questions were developed based upon previous studies by Hingley (2010); Partington (2000) and Maon et al (2009) which were considered relevant to this form of research. Details of the interview questions are provided in Appendix 3.

The interview structure was organised into 4 defined areas (see Figure 3.9) to gather appropriate descriptive data about each organisation and to gain an in depth understanding of how each firm operated in relation to their operationalization of CSR at that particular time. Information gathered from the interview was used to establish the flow of materials, information, and finances within the supply chain and intra and inter personal and organisational relationships were identified and assessed for possible areas of collaboration.

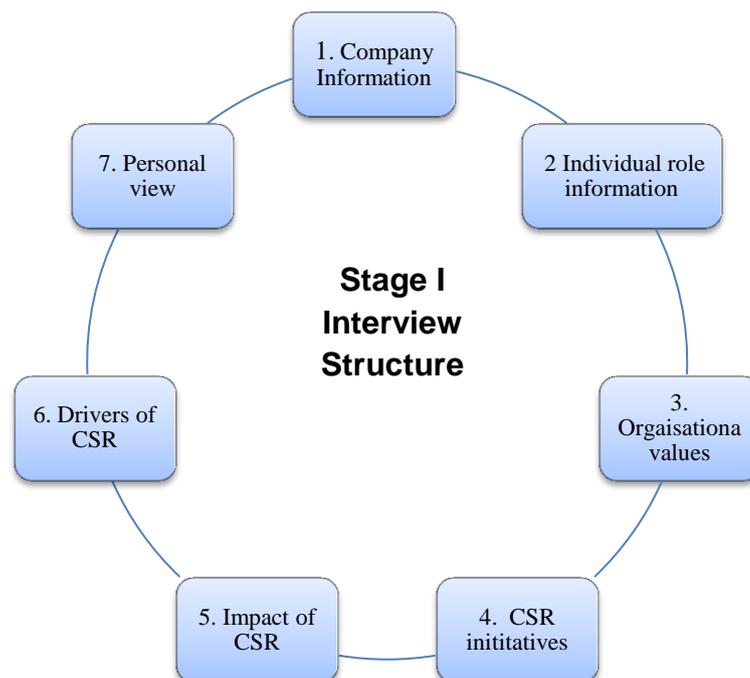


Figure 3.9 Framework for Stage 1 Interviews (refer to Appendix 3 for full Questionnaire).

The interview commenced with questions of a descriptive nature regarding details of the company type and size and specific characteristics of the division and geography.

The interview was also constructed to identify and assess the importance of CSR, the drivers of CSR and the impact of key organisational systems in the operationalization of CSR

3.9.4 Stage I Pilot Study

A single pilot study was conducted with three employees from one of the organisations that was considered as a possible case study LandsEnd (see table 3.6.1). The objective of the pilot was firstly, to assess the rigor and suitability of the interview methodology; secondly, to determine the quality of the questions in soliciting information; thirdly, to ascertain and approximate length of time for completion of the interviews as it was felt that this might impact the willingness of participants and finally to identify any areas of the method that may need adjusted or improved.

The interviews were conducted in person and recorded for transcription. All information gathered was obtained from the small group of three managers.

The results of the pilot study were extremely valuable and highlighted a number of areas suitable for improvement with regards to both the interview and observation aspects of the study. In some instances, it was unclear whether the subject area in question was fully comprehended by the interviewee e.g. the use of terminology such as CSR was problematic in some instances. Therefore, this proved difficult at times to gain in-depth answers as the scope of knowledge regarding some aspects of the topic was limited. The results of this study and a review of the literature guided a small number of amendments that were made to the questionnaire and interview procedure for improved clarification. Some questions were subsequently reworded for ease of understanding and to allow more in-depth answers and some were restructured to make the answers easier to complete and the evolution of the questions can be

seen in appendix 3. The layout of the questionnaire was modified and divided up into clear topic sections to aid in steering the direction of the interview and better facilitate the collection and interpretation of the data. The restructuring and refinement of the interview guide also aided in the final mapping of the CSR activities. This initial evaluation of the questions and interview procedure exposed gaps in the acquisition of some required information. In view of this, a small number of additional questions were incorporated within the methodology to ensure all relevant, necessary data was successfully collected. The pilot study was not included as a participating case study for Stage 1.

According to Remenyi et al (1998), the pre-testing of any interview procedure must be performed to ensure reliability. In the case of this research, the Pilot study served to ensure improved validity and reliability of the interview schedule

3.9.5 Execution of Stage I In-Depth Interviews

At the beginning of each interview session, the purpose of the interview was explained and a fresh copy of the questions were given along with a participant information sheet that outlined the research aims and objectives and questions. All participants were asked to provide consent for the interview to be recorded and the information to be used for the completion of the thesis. The participants were also made aware that the findings of the study may additionally be used for future conferences and academic papers for publication however they were ensured that their anonymity would be protected.

As was noted previously all interviews were performed face-to-face by the researcher, within the employees work environment at a time suitable to the participant in order to accommodate differing work schedules. This was needed due to the shift patterns and flexible working arrangements of staff in call centres and working in retail environments where 7 day

opening is the norm. All information gathered was obtained in the same way for each company by conducting interviews with the staff and/or manager alone.

Despite the interview questions having been given in advance to the participants they were read out by the researcher to give time for a considered response. While the direction of the interview was guided by the researcher, the process allowed freedom for the interviewee to develop their answers and discuss areas of interest in depth. Whilst this leeway means that new topics may be introduced this was not problematic as the interviews were being recorded. In addition written notes were made by the researcher where appropriate and additional notes were made soon after the interview to ensure all additional detail was captured. This forms an important part of the Grounded Theory process where Memo-ing is considered central to the process. All interviews were recorded for transcription of the information at a later date in a separate location. .

The duration of the interviews for all the companies involved, averaged one hour and fifteen minutes and many subjects were interviewed in each site of each organisation. At the end of each interview, the participant was thanked for their time and contribution to the study.

3.9.6 Stage II Interviews

The second stage of the methodology was to develop the cases over a time sequence and thus to give a longitudinal element to the case studies. The second stage had another advantage – the large private sector business had in the intervening years changed its status from Plc to a private ownership via a private equity leveraged buyout that although the board consented to the takeover and indeed recommended it to shareholders was bound to have a significant impact of the business. The methodology for this stage of the research was designed to fulfil the following objectives:

- To determine if there had been any changes over time for each company from Stage 1 analysis.
- To discuss the results of Stage 1 with the individual companies and obtain feedback on the findings.
- To discuss the role of CSR in more turbulent times than in the first series of interviews.

An overview of the main areas covered in this Section 3.9.6 is provided in Figure 3.10 below.

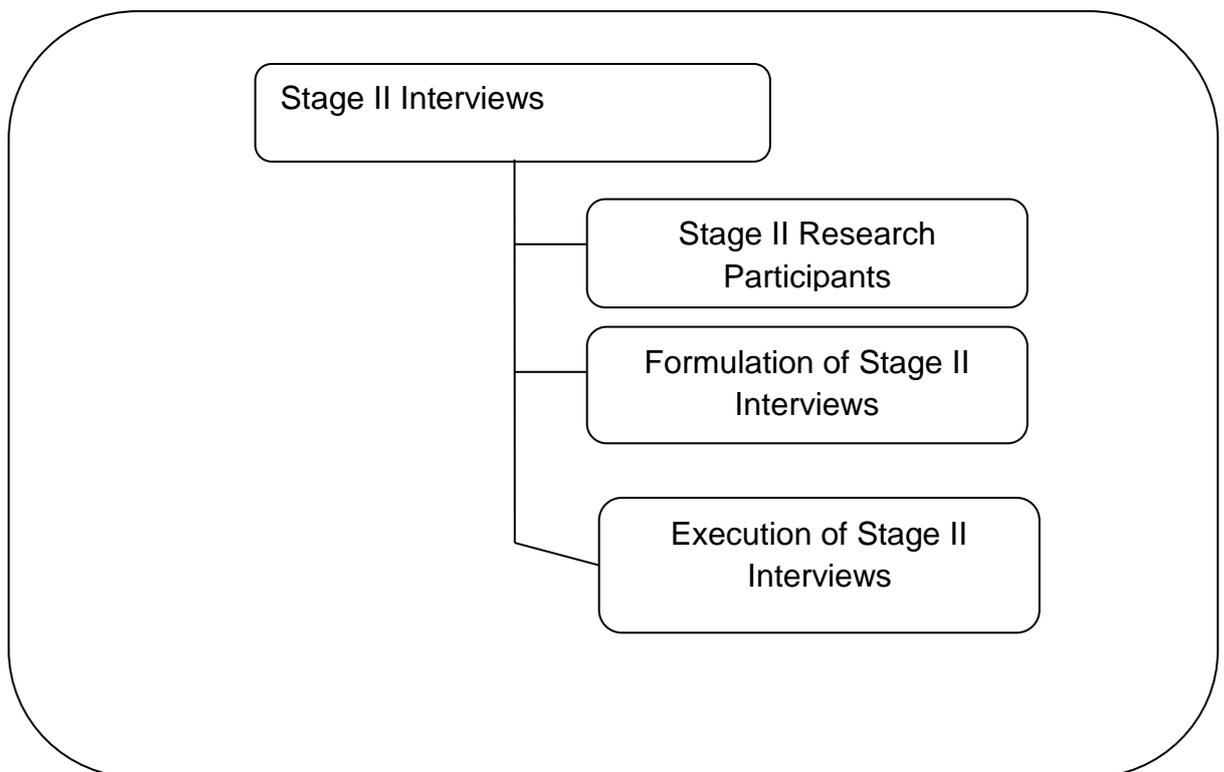


Figure 3.10 Outline of main areas covered in Section 3.10

3.10 Second and Third Stage Research Participants

All three of the original participating companies were able to continue further participation in the second stage of study and into the third stage. The original pilot study case was not included in the second stage of this research as this was not felt needed. The particular cases were selected subsequent to analysis of the Stage I interviews which revealed similarities in their CSR activities structures and willingness to be open

and transparent within this research.

3.10.1 Formulation of Stage II Interviews

The focus of the second stage was to both validate and develop the findings of the in-depth interviews performed in stage 1 of this research and to provide the longitudinal element to the study. The same semi-structured and open ended interview questions were used to investigate to ascertain the interviewee's understanding and perceptions of CSR. This approach allowed the same conversational approach to gathering information and the discussion, although again directed, was allowed to develop naturally. Whilst the questions were reviewed based on conclusions drawn from Stage 1 the hope was always that identical questions could be asked to maintain the longitudinal element of the study. This proved to be quite possible although it was also necessary to make some small changes to acknowledge the different status of the organisations and to take into account changes in the external context in which they operate. The interview was loosely divided into the same areas of discussion based around; the overall organisational structure; the operationalization of the construct, the perception of staff of the initiatives and the relationship to organisational culture and values. This was repeated for the third stage of interviews

3.10.2 Execution of Stage II and Stage III Interviews

As with Stage I, the interviewees were given sight of the questions prior to the interview and they confirmed that the participant understood each question.

At the end of each interview, the participant was thanked for their time and participation in the study.

3.11 Data Storage and Coding

All recorded interviews were uploaded onto a password protected computer on the same or following day as the interview took place. All these measures were put in place in order to fulfil the confidentiality requirements of the study. In addition, it was important for the original recording to remain intact in case required for future validation purposes.

3.11.1 Data Coding

The digitally recorded interviews were manually transcribed by the researcher at a later date using the GT process.

3.12 Ethical Considerations

As discussed previously all appropriate ethical applications were submitted and obtained from the University of Lincoln Research Ethics Committee. One of the most recognised problems using multiple case study methodology is gaining access to particular companies and their response to any transfer of information to their competitors. To minimise these fears and ensure a degree of anonymity, each interviewee was anonymised using a code letter (classified person A1 - C58) with no mention of individual business unit or personal names (except where express agreement to waive this had been obtained – see section 3.9.2)

3.13.1 Ethical Considerations

When constructing case studies ethical considerations are important. Ethical factors in qualitative research tend to fall into three categories (Ryen 2009) and are given in table 3.5

Table 3.5 Ethical Issues and Implications

| Factor | Issues | Implications |
|-------------------|---|--|
| Codes and Consent | Research subjects must be fully aware of why they are being researched – Informed Consent | All interviewees are given a Participant Information Sheet including the rationale and questions being asked (see appendix 3) |
| Confidentiality | Protection of participants identity | All data is anonymised and no individual is identifiable to readers. This is with the exception of agreed details that help with the validity of the study and ensure that the case studies are credible |
| Trust | The relationship between the researcher and the participant | The Participant Information sheet explains the rationale behind the study and explains the use of the data (see appendix 3) |

Interviews can elicit information that may compromise the position of the interviewee and to ensure that this did not happen no direct feedback was given to the organisations that might allow the identification of an individual.

All Ethical Principles for Research with Humans within the University of Lincoln Ethics Procedures (UofL, 2009) were adhered to during both the design stage of the study and subsequent implementation of the research strategy. Interviewees gave information that was often personal and involved basic values and beliefs. The dignity and integrity of individuals was considered at all times. All participants gave informed consent, were given a Participant Information Sheet and anonymity was assured at all times.

3.13 Conclusions and Summary of Chapter

The preceding examination of methodological options would appear to rule out a positivist methodology for a satisfactory examination of CSR and its relation to competitive advantage. This is not to say that quantitative methods will not play a part in the examination, however the generation of the theory around what CSR is, what it represents and what its benefits might be, will come from the interviews conducted and from largely qualitative data. This fits well with the grounded theory model, where data are collected and a theory subsequently developed to account for the data illustrated.

The aim is thus to use grounded theory as a robust scientific approach to build cases which will allow the interpretation of results from unstructured and semi structured data. While Grounded Theory certainly takes an ideographic approach as opposed to nomothetic, this does not mean that there are no generalizable theories that the grounded approach generates. Glaser and Strauss believed that helping nurses to recognise how they evaluated patients would help them to deliver better care. The fact that grounded theory must fit the situation being researched (theory and data dovetailing), must be general in so far as it is relevant to a number of different situations and conditions in the practice setting.

The use of Grounded Theory in the study of CSR, as noted previously, has been used (Morimoto et al 2005, Lindgreen et al 2010). However in

the conclusions of this paper Morimoto notes that the literature review revealed no studies of a similar nature using Grounded Theory to investigate CSR. The use of Grounded Theory in this case identifies the relationship between CSR and sustainable development, and considers the best approaches for measuring CSR. The parallels with the proposed research of CSR are clear and although the paper concludes that using Grounded Theory in this regard is novel, it does help to make sense of a complex issue by encouraging a rigorous scientific approach to be taken to what is a relativistic study. By carefully choosing the cases and by a rigorous application of the Case Study methods it is possible to develop cases that exhibit high levels of validity and reliability.

Chapter 4: Alliance Boots Case Study

4.1 Introduction

As discussed in Chapter 3 section 3.6 case studies are a way to have an integrated, in-depth investigation to understand the behavioural conditions through the researcher's perspective. This enables the researcher to closely examine the data within a specific context. Bromley (1990, p.302) defines a case study as a "systematic inquiry into an event or a set of related events which aims to describe and explain the phenomenon of interest". Case study enables the researcher to have a big picture of the phenomenon being investigated as he is directly involved in the process of data collection and analysis (Creswell, 1998). Yin (2014) Pointed out that one of the condition for the case study presented by is the kind of research question posed. According to the author the case studies are the preferred strategy when "how" and "why" questions are posed. The main focus of this case is to examine how employees interpret and make sense of CSR and how the construct is operationalized. This is fully aligned with the 'how' and 'why' questions that Yin (2014) recommends case study as an appropriate method of investigation. This chapter consists of an in depth case study of Alliance Boots. The chapter formed the basis of a peer reviewed paper presented at the British Academy of Management conference in 2010. The abstract is included in Appendix 4

4.1.2 History and Context

The company can trace its history back to 1849, when John Boot opened a herbalist shop in Goose Gate, Nottingham. John Boot was born in Radcliffe-On-Trent in 1815 and his early life was spent as an agricultural labourer on local farms. He travelled to attend services at the Wesleyan chapels in the Lace Market area of Nottingham. It was a poor area and John Boot became involved in chapel affairs and local schemes to improve living conditions within his community. In 1849, with the

assistance of his father-in-law and the support of the local Methodist community, he opened The British and American Botanic Establishment at 6 Goose Gate. As was noted in chapter 2 section 2.1 there was a strong link between the family and the church. After his death, Mr Boot's widow Mary and son Jesse took over the running of the firm and in 1883 Boot & Co was formed. Jesse Boot's paternalistic and philanthropic outlook manifested itself in working conditions for staff and his desire to help serve the community that he was part of through the church and a strong set of values inherited from his mother.

During the First World War, Boots supplied vermin powder and anti-fly cream to British soldiers in the trenches, while it was a source of penicillin and saccharin for troops during World War Two.

In 2005 Boots merged with Alliance Unichem to form Alliance Boots – a business that was valued at some £7bn and was then the first Public Company to be bought out by private equity when taken back into private ownership in 2006

Alliance Boots is now an international pharmacy led health and beauty group with two core business activities of pharmacy led health and beauty retailing via their 3000+ high Street stores and a pharmaceutical wholesale and distribution business that delivers over 4.6 billion units each year to doctors, hospitals and health centres (Boots 2013). The company employs over 108,000 people and is run from its Nottingham head office with a presence in over 25 countries and a turnover of more than £23bn.

In discussing the selection of cases, Eisenhardt (2007) notes that cases can be sampled 'for theoretical reasons, such as revelation of an unusual phenomenon ... and elaboration of the emergent theory'. In Alliance Boots' case there was an unusual phenomenon in that two organisations – Alliance UniChem plc, a leading European healthcare group, and Boots plc, a largely UK-based manufacturer and retailer of health and beauty

products – merged in mid 2006 (although initially they were treated as two separate organisations), and had then been taken out of public and into the private ownership of Kohlberg, Kravis and Roberts (KKR, www.kkr.com), a global asset management firm working in private equity and fixed income, in June 2007. The merging of two organisations with such different histories and organisational cultures, coupled with the well-known financial orientation of the private equity industry suggested that this case would give a richness of data if followed over a period of time. The longitudinal nature of the study meant that this was a highly attractive company to investigate and as noted in chapter 3 had already been identified as a company that met the criteria for the study.

Private equity has been the subject of much attention recently (Nielsen, 2008). The standard view of a strong financial orientation is borne out by such studies, due largely to increased debt burdens. In Alliance Boots' case the total borrowings increased from £1.33 billion prior to the takeover to £9.32 billion afterwards (financial statements 31 March 2007 and 31 March 2008 – www.allianceboots.com/financial_information/annual_review.aspx).

However, by being able to offset the interest payments against tax, and in Alliance Boots' case, controversially relocating its corporate office to Zug in Switzerland where tax rates are lower than the UK (Laurance & Gillard, 2010), there is the possibility of some mitigation of these costs. Nevertheless, there is still the requirement to service the level of debt, and this clearly places heavy demands upon the organisation. It is for this reason that private equity has a reputation for 'asset stripping' or 'slash and burn' approaches. However, while 'hard HRM' approaches (vigorous use of performance management and performance pay, self-managed teams and enforced flexibility) are evident (Thornton, 2007), there is also evidence of positive effects on HR practices with increases in training and employee involvement (Bruining, Boselie, Wright & Bacon, 2005). There is also evidence that some private equity firms increase employment but counter-evidence that they reduce employment and wage levels in some

cases (Thornton, 2007). There appears to be a difference between MBOs (management buy-outs) in which private equity is used to support an incumbent management team, where employment tends to increase, and MBIs (management buy-ins) in which a new management is imposed from outside, where employment tends to decrease (Thornton, 2007). Overall, there are broadly two approaches taken by private equity investors. One is cost reduction, with the Automobile Association (AA) in the UK being a celebrated example where more than 3,000 jobs – nearly 30 percent of the workforce – were axed. The alternative is investment (Bruining et al., 2005). Alliance Boots was an example of an MBO and, it transpired, the new private equity owners were to take an investment approach. In either case, however, the strong institutional logic in private equity organisations, prioritizing external goods and thus placing short-term pressures on internal goods, is abundantly clear and is likely to impact on organisational members.

Whilst Alliance Boots is only a single case and as noted in chapter 3 there are severe limitations to single case research, it could be argued that this was a study of four organisations over a period of almost seven years (Alliance Unichem plc, Boots plc, the merged Alliance Boots plc and finally the private equity-owned firm Alliance Boots) thus giving the research an even stronger empirical basis. Eisenhart (2007 p. 27), drawing on Yin (2003), suggests that 'Theoretical sampling of single cases is straightforward. They are chosen because they are unusually revelatory, extreme exemplars, or opportunities for unusual research access' '...single-case research typically exploits opportunities to explore a significant phenomenon under rare or extreme circumstances'. Siggelkow (2007, p. 20) further suggests that 'it is often desirable to choose a particular organisation precisely because it is very special in the sense of allowing one to gain certain insights that other organisations would not be able to provide'. While, as acknowledged above, Alliance Boots was not chosen in the sense that Siggelkow means, it did seem to provide an opportunity to gain certain insights that would be difficult to gain elsewhere. Thus, although Boots forms a part of a multiple case

study with Lincolnshire Co-operative and the Co-operative bank and that 'theory building from multiple cases typically yields more robust, generalizable, and testable theory than single-case research' (Siggelkow, 2007, p. 27), Boots can be seen in and of itself as a multiple case study due to the significant changes that happened to the organisation during the course of the research.

That some organisations consider CSR to be an 'after profit' consideration and others a 'before profit' activity has already been well documented (Smith 2003). Those organisations who see CSR as a before profit activity tend to have a strong values base and see it as part of their corporate DNA, whereas those for whom it is an after profit consideration are more likely to see it as a dispensable add on that will be cut when profits fall. This short term view has been shown to be questionable as an AT Kearney report of February 2009 suggested that the performance of 'sustainability focused' organisations are achieving above average financial performance, and discovered that organisations included in the Dow Jones Sustainability Index were performing up to 10% more effectively across a range of measures than the general Dow Jones (Mahler et al 2009).

The aim of this chapter is to investigate what different people at different levels in the range of organisations perceived as socially responsible behaviour and what importance and value they attached to the different initiatives.

As was outlined in chapter 3, the research consisted of a wide range of semi structured interviews carried out on a number of organisations. The sizes of the organisations ranged from £multibillion turnover businesses to small social enterprises and the types of businesses ranged from major PLCs to small co-operatives. To ensure that a full range of job roles and seniority were covered a purposive sampling strategy was employed. This ensured that in each of the organisations the range of people interviewed encompassed all levels from front line operational employees

to senior board level directors. This was important as part of the rationale behind the research was to identify whether position in the organisation had any impact on the perception of CSR. The number of staff interviewed from each organisation varied from over 40 members of staff from Boots, one of the UK's leading health and beauty retailers to five people from a small local business.

4.2 Stage 1 Boots Plc 2006 – 2010

4.2.1 Data Collection and Analysis

The initial interviews took place on 16th and 17th April 2006 at Alliance Boots' head office in Nottingham. Twelve members of staff were interviewed all of whom might be reasonably described as working in Head Office functions. A seventh manager had been interviewed prior to this main group. The process was repeated three months later and then interviews were carried out with store personnel. This was repeated again in 2008 and in 2010 with updates in the following years. The data was collected via a series of semi structured interviews. At this time Boot's corporate office and headquarters were in Nottingham so the interviews were carried out in Nottingham or in one of their stores in the UK. There were a total of 53 interviews carried out of which 20 were head office staff. There then followed a series of interviews in a range of stores with a purposive sample chosen to ensure representation from all professional groups totalling 33 (over all of the stages). Branches have several groups of staff and a representative sample was taken from each group. These groups were Pharmacy (qualified and dispensing), general sales staff, administrative staff and beauty staff. Some of the stores had staff running concessions who were employed by e.g. Clarins. These staff were not included in the interviews as they were not employed by Boots. The themes are summarised in table 4.1 below

All staff interviewed showed a good level of awareness of the general CSR agenda. All staff related the Boots CSR agenda directly back to the

'Trust Boots' initiative where the company used Trust as both an acronym and as a metaphor for the companies values (trust, respect, understanding, simplicity, togetherness). There was a high level of awareness of this and all interviewees specifically mentioned the Trust campaign.

This stage was carried out whilst Boots was still operating as a Plc. At the time of the first visit the announcement had been made that it was likely that the then chairman would try to buy the business with the help of private equity. There was no feeling of concern amongst the staff that this would be problematic as they had confidence in the Chairman and the board's management of the business and the feeling was that the investment needed was as well coming in the form of PE funds via the existing board than as a result of a hostile takeover or rights issue. At this stage Boots was a Plc fully listed on the London Stock Exchange and subject to the LSE regulatory requirements.

Table 4.1 below summarises the key themes from the interviews

Table 4.1 Key Themes and Selective Codes

| Selective Code | Finding | Illustrative Quotations |
|--------------------------------------|--|---|
| Creation of Meaning and Sense making | <p>The importance of the organisational heritage and the legacy of Jesse Boots is still seen as of central importance in the operationalisation of CSR and of values</p> <p>Trust is used as both a metaphorical tool and as a concrete object. More of the staff in Head Office understood the component elements however this was not universal. In the stores and in the warehouses there was a more generic interpretation</p> | <p>For new starters I would talk to them about the heritage of the company – the DNA of the organisation is hugely important. We feel that we are the inheritors of something special and with 19 million customers per week and the behaviour of our staff is hugely important – we do not just sell products it's very much products plus advice. (OD Director)</p> <p>We were sent on a training session on it but we had already been working with the MacMillan people so knew that we are a caring company and that means more than any slogans (Beautician)</p> <p>I went through a training programme a couple of months ago, went through what Boots were what they stood for and it basically boiled down to Trust, they want to be trusted and to trust other people (Beautician)</p> <p>Trust, I think it comes from a long way back, my mum always goes to Boots for her prescription, you trusted Boots you got good help and information and advice. Trust and value, advice as well. People trust and believe what you say (Customer Service Manager)</p> |
| Definition | <p>The concept of CSR was generally understood although not universally however where the language of CSR was not used the concept of values and of 'doing the right thing' was well established</p> | <p>It is about what you do not what you call it (Head Office Manager)</p> <p>We are part of the healthcare community and as such we take our responsibilities seriously. I don't see working with MacMillan as CSR – it's part of who we are and what we do (Pharmacy Staff)</p> <p>We don't tend to talk about CSR but we all know that our values guide what we do (Front Line Manager)</p> |
| Activities and Focus | <p>Affiliation and integration (see section 3.3.4 for more details) have</p> | <p>Breast Cancer, Children in need, The Change on thing initiative, No smoking day, Skin cancer.... And a whole host more that we are involved in, but if I had to pick one that is very important to us it would be Breast Cancer</p> |

| | | |
|-------------------------------|---|--|
| | much relevance for Boots | (Head Office Manager) The work that we do with Marie Curie in the Hospice is the most important. My friends and I go regularly and we feel that we make a real difference to the last days of some very brave ladies lives. (Beautician) |
| Beliefs | The importance of history and stories | Jesse Boots set up the business not simply as a way of making profits but as a way of making profits by doing business the right way (Team Leader) |
| Paradigms and Shared Value | Enlightened self-interest and a traditional view of CSR as being the voluntary incorporation of social and environmental objectives | It benefits us, the public and it benefits the shareholder so why wouldn't we do health checks? Our values underpin our business and that means that we are a responsible business – but we are a business |
| Structure and Configuration | The structure and the changes are of little relevance however the values that underpin the changes of structure remain constant | We are currently a Plc but Stefano (the Chairman) is looking to take us back into private ownership. It will not matter – our values are still the same and always will be and that's what counts |
| Business Case and Measurement | There are quantifiable measures however qualitative measures are equally used | There's the halo effect of course but it encourages women to come and have a look at Boots. Colleagues get a buzz from helping people and it provides the opportunity for more junior members of staff to shine and to show what they can d |
| Culture and Leadership | Leaders 'Model the Way' and reinforce the values in order that a healthy culture underpins all activities | Boots values are all based around Trust, which focuses on Trust in delivering promises, Respect, Understanding, Simplicity, and Together. We are about being the world's best healthcare retailer centred around trust (Senior Manager Head Office) We know that the senior management team all support our CSR initiatives. The CEO chairs the sustainability and CSR committees so that shows us that it is important |

4.3 Codes and Data

4.3.1 Sense making

The power of the Trust campaign in helping staff make sense of their CSR practices cannot be overemphasised. The word was used repeatedly in all interviews and whilst discourse or narrative analysis were not used to create the categories in Grounded Theory it is very clear from the interviews the impact that the Trust metaphor and acronym had (trust, respect, understanding, simplicity, togetherness). In some interviews the word was used (employees used the word in every interview on multiple occasions) The simplicity of the Trust label was clearly evident in that everyone knew the importance of Trust even if they were not always certain of the component parts the notion that everything Boots does must help to build trust amongst staff.

'The main value is, I guess, Trust Boots. That's what we trade on is the trust. There is a set of corporate values that set behind that and have been dished out and we have a session coming up, led by my director, where we will talk through these values and hopefully live and breathe them a bit more so they're things like simplicity – I can't even remember them all, I've got them written down here, that tells you something' (Head Office Manager)

'Trust, I think it comes from a long way back, my mum always goes to Boots for her prescription, you trusted Boots you got good help and information and advice. Trust and value, advice as well. People trust and believe what you say, personal experience as well shows that I think we have a good standard of staff; they get all the things that they are looking for when they come in here for all their aches and pains' Front Line Staff Boots Leeds Store

The importance of a simple yet powerful metaphor for organisational values in the sense making process was noted repeatedly. An example of this was given by the comments from a category manager at Head Office who said

'The main value is, I guess, Trust Boots. That's what we trade on is the trust. There is a set of corporate values that set behind that and have been dished out and we have a session coming up, led by my director, where we will talk through these values and hopefully live and breathe them a bit more so they're things like simplicity – I can't even remember them all, I've got them written down here, that tells you something'

This highlighted a common theme that the detail came very much secondary to the story. The dominant narrative was around Trust and the stories that were told (Johnson 2011) were important factors in reinforcing the narrative which was that underpinning everything that Boots do lies the notion of trust. Trust from customers, trust between departments and staff and trust from the widest group of stakeholders possible. The actual component elements were seen as much less important in the sense making process. This suggests that in terms of symbolic interactionism as discussed in chapter 2.12 the metaphor of Trust has become an abstract object (Blumer 1969 p68) in the sense making process as it has transformed from a simple acronym to a construct that people use. This in turn underpins their view on CSR as can be seen in Fig 4.1 as Trust allows staff to understand the levels of affiliation and integration of any of the initiatives. If they help to build Trust then they are likely to be seen as important to the organisation and to its stakeholders. It forms a dominant narrative rather than providing a specific template. This became more obvious when the second phase of the research took place as this happened after the merger with Alliance had been better embedded and implemented and are discussed in section

The levels of trust involved in relations between departments, organisations or stakeholders reflects the quality of the relationships between the people involved who represent or symbolize those groups. There are two bases for trust (Child 2005) – traditional based on shared experience and personal relationships. Traditional trust is based on membership of communities of practice and having a long positive experience of working together. Much of traditional trust is based on belonging to the same culture – and this was becoming problematic for Boots at this stage as they merged with Alliance

who had a different culture and were more international than Boots at this stage.

The second basis of trust is underpinned by institutional structures and include certifications, qualifications and legally enforceable contracts. This form of trust has a more specific and measurable quality – it is a more tangible form of trust than traditional trust and as such requires less sense making as it is more easily understood by staff. This manifests itself in Boots through their CPD processes and their work with regulatory bodies to ensure all staff are fully qualified with a clear development programme not only for professional staff but also for their retail and warehouse staff.

Trust has been identified as having a wide range of benefits – it lowers transaction costs and helps to increase the efficiency in markets and exchange (Jones 1995), it helps organisations to embed learning and to deal with change much more effectively and is a key facet in the success of alliances or mergers (Child 2005, Daft 2001). Trust underpins collaboration across organisations and in terms of CSR it engages people in initiatives that might have less relevance or be understood to a lesser extent than others. In addition to its impact on CSR trust also underpins superior performance (Edmondson 1999)

In summary Trust helps to overcome the cultural differences that can exist in organisations between different communities of practice, different geographical areas and cultural differences that inevitably arise from running an international business but most importantly from a sense making perspective it became an abstract object that underpinned behaviours and ethical practices within the business and helped to create a culture where the triple bottom line (economic, social and environmental) underpinned the business practices.

4.3.2 Definitions

There was no single definition of CSR within the organisation that everyone understood. There was clear evidence that the triple bottom line was given serious consideration but this did not form part of the definition. The closest definition was the EC (2001) definition of '*Integration of social and environmental concerns on a voluntary basis*', however there were differing interpretations of the importance and scope of both social and environmental issues. At this stage of the journey there was a sense that 'doing the right thing' was much more important than labels that might be ascribed to activities. The activities themselves were seen as being hugely important and acted as a framework that helped with the sense making process however there was no sense that a single definition would add value to the organisation. This was an element that changes as the research moved forward in time.

4.3.3 Activities and Focus

The initiatives discussed are categorised in Fig 4.1 and include a range of activities that were classified as CSR. The comments on all of the activities were generally favourable, however there was a significant and notable difference between comments on activities that have been classified in box 1, to the other boxes. This does not in any way negate the value of the other boxes, and indeed it was clear that activities in all boxes are needed to ensure that all employees can relate in some way to the activities that the organisation engages in as there were differing levels of understanding around some activities.

This manifested itself when more than one interviewee noted their preference for engaging in SR activities that might be classified as not employer driver e.g. supporting their local charities or community activities not involving the company.

'I think that the reading in schools activities are important as they have nothing to do with us as a business but to do with our responsibility to the wider community. It shows that we are about healthcare in its widest sense – do you know that there is a direct link between levels of education and health? The more educated the better the health outcomes' Pharmacist Boots Leeds

These individuals expressed a preference for some of the box 2 or box 3 activities where they felt that they could keep a relatively flexible level of engagement. The activities in box 3 were all popular, although those people who preferred activities in box 1 stated that they, generally, could take or leave what they perceived as one off campaigns. The impact that the box 1 activities had on those who engaged with them were extremely powerful and comments linking them with both organisational performance and a deep sense of personal satisfaction were noted. Interestingly some activities in box 2 that might easily be considered CSR activities were deemed to be 'day job', in other words they were seen not as CSR activities but as commercial activities with not additional significance. This was particularly noticeable with some of the supply chain activities where a policy of 'enlightened self-interest' might be said to be being followed but this was not the perception of those interviewed. This contrasts with similar activities of e.g. Nike, who see this type of activity as central to their CSR efforts.

So for example when discussion ethical supply chains the category managers who are the key supply chain managers were all of the view that ethical supply chains were not a question of CSR but that they were 'day job'. This contrasted with a range of other jobs that whilst they may have been seen as 'day job' e.g. the Healthy Workplace Initiative were seen as socially responsible. The healthy workplace initiative was in part aimed at reducing absenteeism by encouraging exercise and healthy eating whilst also looking at the physical environment and the need to consider factors such as stress. There are clear parallels between these two activities (Healthy Workplace and Ethical Supply Chains) in that there are financial

costs associated with any irresponsibility – the example of Nike was very much known by the category managers. These activities, if viewed through the lens of Carrols pyramid discussed in chapter 2 fig 2.1, were seen as adhering to the law and not the higher level discretionary activity, which the Healthy Workplace initiative was seen as despite the use of it as a way to lower absenteeism.

‘Ethical supply chains – not CSR that’s day job. It’s what I do - I must make sure that our supply chains meet the highest standards. We have clear policies and we audit regularly but it is a commercial activity’ Category Manager Nottingham Head Office

There was a notion that once codified activities could no longer be seen as socially responsible and that they become formalized and this is then an organisational activity so a commercial activity. This was interesting as clearly the beauty consultants working with terminally ill patients needs to be very heavily formalized and managed yet there was no sense that this activity was anything other than CSR.

The link between box 1 activities and what was variously termed the organisational DNA, the heritage of Boots and the Boots way came through strongly. There was a positive link between seniority in the organisation and a strong preference for the box 1 activities – however staff at all levels found initiatives related to healthcare to be important. Front line staff were generally more focused on local initiatives so where they felt that a more immediate impact was being made to the local community.

‘For me personally ones I’ve been involved in support for local businesses and in primary schools where I’ve given talks on Sun Care and the threat of skin cancer. It was a collaboration between two departments ours and Healthcare- they did stop smoking and I did Sun Care for holidays so we went to a primary school - a community event they really appreciated that we had gone, spoke to a lot of kids, got them involved then went to two big local

employers their main offices and did nearly a whole day there and spent the day talking to people.' Sun Shop Consultant Leeds

This was in contrast to senior managers who viewed the more strategic issues to be linked to their areas of interest

'I think the biggest issue at the moment is climate change. It is very techie and anoraky, but I just think that it would be a catastrophic failing if businesses like boots were not involved in this issue. I think we are involved and have done a lot more than anyone else in the past, but I think that the challenge ahead of us is much bigger than any business realises. And that is what I would like to do. I would also like to take customers with us and that would be what I would push.' Group Environment Manager Head Office

The most impactful initiatives were those that were aligned not only to the organisational values but also to the

This last point is a caveat for all previous observations, which need further investigation to allow for any meaningful conclusions to be drawn.

The categories in Fig 4.1 reflect the degree to which the activity might be seen to be aligned to the organisational mission and values (integration) and those where the employees feel a strong sense of identity with the cause, even though it might not be strongly aligned to the organisational mission e.g. community building project, or one off television appeals. The classification of the initiatives is a dynamic process it is possible to note that there can and will be migration between categories e.g. environmental initiatives may be deemed to have moved from box 3 to box 1 over the last couple of years.

staff saw a staff benevolent fund as being the single most important initiative, because they all knew someone who had benefitted from it. No members of head office mentioned this as important, only front line operational staff that have part time colleagues working with them in seasonal retail jobs. This can be seen from the quotes below which were specific to front line staff:

'it shows we care, that we do care about the people'

'there was a lady....and she finds it difficult to make ends meet, so every Christmas we apply to get her some money..'

This contrasts with head office staff who work on environmental projects

'the climate change agenda is the biggest challenge that we have ever had to face. It is a societal challenge but also a significant business challenge'

'our customers cannot directly impact this, so they trust us to do it'

The process of constant comparison between and among the concepts and categories led to the realisation that whilst there may be different initiatives, some appeared to be more important than others and strong links were noted between concept 1 and concept 3. It began to emerge that an important element of any initiative was the degree to which staff viewed the initiative as being aligned to the organisational purpose and then how engaged that they felt regarding the initiative

'the things that really appeal to me are the initiatives that are aligned to the business case, in a way I can take or leave the (one off charity fundraisers)'

' a lot of the people had been touched by it (cancer) so it was good that we were supporting it'

| | |
|---|--|
| <p>Strategic CSR comments</p> <p>There's a correlation between the times when the business was clear about what it stood for and what it was trying to achieve. There's a definite correlation between them (the activities) and our values and purpose</p> <p>Showed that we are a company that can be trusted to do the right thing</p> <p>We were invigorated</p> <p>It's not about throwing money....anyone can give £10K</p> <p>This taps into the business agenda – our expertise</p> <p>We're answerable to shareholders but it proved it's not just profit at all cost</p> <p>I can take or leave children in need, but this is about sustainability</p> <p>We try to link our CSR activities to personal development and vice versa It raised our profile among graduates</p> | <p>Relevant Activities comments</p> <p>Development of supply chains in the far east – it's just day job it's not CSR This is a qualifier for doing business in the area.</p> <p>We all take a turn at helping out. It's part of what we do – but I don't spend the day worrying about what's going on elsewhere it is up to us to ensure we are being ethical</p> <p>We want people to be IT literate – it's how we do business</p> <p>We do lots of work with the British Heart Foundation and it is right that we do – we are a health business</p> |
| <p>Cause Related comments</p> <p>It felt like we were not lining shareholders pockets You genuinely felt you were doing something My targets are financial, so that's what I do. This was different – it was giving something back Community activities tend to be reactive – 'we were phoned up by a local charity....'</p> | <p>After Profit Activities comments</p> <p>It's good to see that we make these donations I think we sponsor local football teams It's just something we do I think there's tax breaks or something We find it difficult to measure any real benefit</p> |

Table 4.2 Comments linked to Activities and Focus

There was a wide range of activities identified from those wholly unrelated to the business to those closely aligned to the organisations purpose. Equally there were a range of activities that closely matched the personal values and experiences of employees which were not always aligned to the organisations values. This manifested itself when interviewees noted their preference for engaging in socially responsible activities that might be classified as not employer driver e.g. supporting their local charities or community activities not involving the company. As the research developed it became clear that both employees and businesses felt that activities that were closely aligned to the objectives of the business and supported the personal values of the employees were deemed to be much more impactful and important than the one off initiatives that, whilst being of some value were not generally seen as being of significant importance. Figure 4.1 takes a range of activities that were identified across the organisations and using the methodology described above categorises them by using the categories identified by the coding process.

One of the key findings from the research is the importance of context in identifying the perception of initiatives. The research showed that activities tend to be classified depending on the individual's preference for the particular cause, but interestingly there was, in almost all cases, an interest in the level of alignment to the organisation's values or purpose. Where employees could see a link between the causes and the business they were significantly more positive about them. Even in cases where there might not be an obvious link, e.g. the Benefit Fund, staff were quick to link it to the businesses values – repeatedly stating that it showed that the company did not just talk about looking after its staff but had put in place practical measures that allowed for direct interventions when staff were in need. Equally from the senior managers' perspective they were very keen on initiatives that modelled the behaviours that the organisation felt would strengthen its culture.

The categories in Table 4.1 and 4.2 reflect the degree to which the activity might be seen to be aligned to the organisational mission and values

(integration) and those where the employees feel a strong sense of identity with the cause (affiliation), even though it might not be strongly aligned to the organisational mission e.g. community building project, or one off television appeals.

This does not in any way negate the value of the other boxes, and indeed the indications are that activities in all boxes are needed to ensure that all employees can relate in some way to the activities that the organisation engages in. What began to transpire as the interviews were analysed was that, at all levels in all of the organisations researched, staff had a range of perceptions on what they thought constituted 'good CSR'. Whilst there was no definitive view as to exactly what that would look like they had similar views on the types of activities that they thought were important. These individuals expressed a preference for some of the box 2 or box 3 activities where they felt that they could keep a relatively flexible level of engagement. The activities in box 3 were all popular, although those people who preferred activities in box 1 stated that they, generally, could take or leave what they perceived as one off campaigns. The impact that the box 1 activities had on those who engaged with them were extremely powerful and comments linking them with both organisational performance and a deep sense of personal satisfaction were noted. Interestingly some activities in box 2 that might easily be considered CSR activities were deemed to be 'day job', in other words they were seen not as CSR activities but as commercial activities with no additional significance. This was particularly noticeable with some of the supply chain activities where a policy of 'enlightened self-interest' might be said to be being followed. This however was not the perception of the supply chain professionals interviewed. They were aware of the impact that, for instance, use of child labour in the supply chain might have, and the fact that the organisation had instigated educational programmes to try to ensure that the supply chain behaved as ethically as possible (including rigorous audit of the supply chain), but they felt that these activities did not constitute CSR as they were what the company should be doing. They should not be seen as socially responsible – instead it would be irresponsibility of the worst kind not to have these initiatives in place as the

damage to the company's reputation would be so significant that they had no choice. This contrasts with similar activities of e.g. Nike, who see this type of activity as central to their CSR efforts.

The link between Strategic CSR activities and what was variously termed the organisational DNA, the heritage of the organisation or the 'way we do things' appears strong. Some of the organisations had a well-developed vocabulary that allowed their employees to enunciate this, whereas others simply talked about 'what we are about'. A correlation between seniority in the organisational hierarchy and a strong preference for the box 1 activities was noticed, however although more senior managers tended towards category 1 activities, employees who saw themselves as part of a community of practice also expressed a preference in this regard. Equally all members of staff appear to enjoy the activities that category 3 or 4 activities although some saw them as at best peripheral and in some cases as a distraction

4.3.4 Beliefs

There was a strong sense that the history of Boots was important and fed into the organisational culture and values. The initial coding had Jesse Boots as one of the most common codes noted (after Trust, Values and Health) and throughout the organisation. There was a very strong narrative around Jesse Boots philanthropy and despite the fact the few people could name specific causes that he had been involved in there was a belief that he had embedded a set of values that the organisation retained to the present day. The importance of the narrative (Boje 1996) and storytelling was significant and it fulfilled several roles

They helped people learn especially new members of staff – the stories were used as a way to help people remember the important facets of Boots,

'so if we want people to learn something the best way to support them is to explain it in the form of a story. A strong story will help them connect the

'what' to the 'why', and is often used well in conjunction with some practical experience of a task' HR Manager Nottingham

to build trust amongst staff

' if you tell one of your staff something that reveals who you are yourself as part of a story they will begin to see a side of you they didn't know. For instance I told them about starting a methadone programme and it was quite high personal risk for me but it was not about profit – we are in an area where drugs are a problem. They saw a different side to me and started to tell each other more about themselves. This led to a stronger sense of a team in the store and trust was definitely developed,' Store Manager London

The stories helped to underpin the values that the organisations stood for and to develop a common understanding of the values

'people need to see us put our values into action and to see that we actually do walk the walk as well as the talk. We can give them all the facts that they want in our annual report or on the intranet but telling a story about when our pharmacist went to Malawi to set up a clinic was even more powerful. It shows that we do have integrity and that we use our professional skills not just to make money but to help make the lives of others better. Staff will quickly forget the detail but always remember the story. Especially if it gives examples of how we use our integrity to create a better society, Head Office Director

Whilst beyond scope of this study the stories helped underpin the vision by allowing leaders and managers to connect people to their ideas and their future vision of Boots and how the merger with Alliance would be a positive aspect to the story of Boots. This was done by telling a story set in the company's future – about the opportunities for staff and using the vision and CSR to create a sense that the company would not lose its values base because Alliance was seen as a good fit and had similar beliefs and a similar history to Boots – albeit with a European perspective

4.3.5 Paradigm and Shared Value

Stories formed a significant part of the organisational paradigm – the creation of shared value was in part reinforced through stories. There was a strong link between this aspect and culture however the notion of shared value was perhaps not as strong as a more traditional view of CSR. Porter and Kramer (2011) suggest that shared value is a deliberate process whereby the policies and operating practices of the organisation are also enhancing the social and economic conditions of the local communities. The Boots paradigm around this was closely linked to doing business in an ethical and sustainable way and there were some instances where shared value was being created e.g. the group of staff who were involved in the education programmes because they believed that health needed to be considered in its widest possible sense however this was not evidenced throughout the business. There is a degree of alignment between Shared Value and the traditional CSR notion of enlightened self-interest (Crane 2004 P 42) where organisations act in ways that by chance or design have a positive business impact and add social value such as IBMs reinventing education project (Kanter 2003) where they worked with inner city schools to help give access to technology and discovered that they were creating a technology aware group of learners who had an affinity to IBMs Lotus Learning Space products. The difference between this and the Portarian notion of Shared Value as an evolution of the CSR paradigm is that this form of shared value is a strategic alignment and not an accident. Boots notion of CSR is more closely linked to that noted in 4.3.3 and stems from a more traditional paradigm.

4.3.6 Business Case and Measurement

Boots are an Investor owned Firm (IoF) and between 2006 and 2011 were owned by a relatively small group of investors following the management buy in and the involvement of the private equity firm KKR. All staff are very much

aware of the need to sustain competitive advantage and there are very clear commercial imperatives and targets that Boots make no secret of aiming to realise. The business case for CSR is less clear. Whilst there were a number of insights into a strong sense of desire to show business benefits to CSR

'There's the halo effect of course but it encourages women to come and have a look at Boots' Head Office Marketing Manager

Most of the business case centred on the qualitative measures suggested in Chapter 2 section 2.8.1

There is no doubt that Boots is aware of its customer profile – predominantly female over 35 (source Mintel 2010) – and that many of the activities that Boots engages in e.g. Breast cancer research, the Eve appeal (ovarian cancer) or Children in Need are likely to be causes that the customer group have a natural affinity towards however the business case tends to be around the more qualitative elements. Staff satisfaction and teambuilding are significantly more frequently suggested benefits than any notion of financial benefit or return on social investment. Boots are active members of Business in the Community (source bitc.org.uk) and as part of their commitment to CSR Boots use the GRI process outlined in Chapter 2 section 2.9.6 which is externally audited and reported on. Again there was little evidence from staff that they made direct connections to an explicit business case for CSR however there was a clear theme that CSR and treating stakeholders well is good for business.

Brand Value

In 2012/13 Interbrand valued the Boots brand at \$3.3bn (Interbrand 2013). This was an increase of 16% from the previous year. The importance of CSR on brand value was noted in chapter 2 section 2.8 and whilst there are risks in attempting to make direct correlation between CSR and brand value, as noted in section 2.8 there is a clear link. The Interbrand methodology for calculating brand value is multi-factorial and consists of

three key aspects that contribute to the assessment:

6. The financial performance of the branded products or services.
7. The role of brand in the purchase decision process.
8. The strength of the brand.

Much of the Interbrand methodology is confidential however it is applied consistently making Boots the 3rd most powerful UK retail brand. There are several criteria for inclusion in Interbrand's ranking. Interbrand outline their core standards for inclusion as requiring that:

There must be substantial publicly available financial data. If the company does not produce public data that enables us to identify the financials of branded business as is sometimes the case with privately held companies – especially where Private Equity is involved) it cannot be considered for the list.

Economic profit must be positive, showing a return above the operating costs, taxes, and capital financing costs.

To be defined as a retailer, a brand must generate at least 50 percent of its revenues from sales through its branded retail stores and websites. (Interbrand 2013).

Whilst it should be noted that Interbrand are a commercial brand management consultancy the Interbrand brand valuations and reports are used as industry standards and are generally accepted as a fair valuation being used by publishers including the Financial Times, Forbes and Marketing Week.

Other qualitative measures considered in Chapter 2 include recruitment and retention and there are clear links between Boots CSR activities and staff satisfaction – for example the 'Benefund' has a significant impact on staff satisfaction in the Branches. The Boots Benefit Fund, generally known as the

Benefund, is a hardship fund that is paid into by both employees and the organisation. This fund is administered by a representative group of employees and makes awards when employees have special needs.

'I think that things like the Benefund let staff know that the company does care about them – we hear about the healthy workplace and this showed it was not just a saying but was real. One of our staff – her husband left her near xmas and she had no money to buy presents for her kids. The benefund helped by giving her cash and it made a real difference I think that shows the company cares'

The Benefund was never identified by head office staff as an important aspect however for front line store workers – especially sales assistants who are at the lower end of the pay grades(earning slightly more than minimum wage)

4.3.7 Culture and Leadership

Organisational culture has been defined by Schein (2010) as a pattern of basic assumptions invented, discovered or developed by a given group as it learns to cope with its problems of external adaptation and internal integration. These set of assumptions must be considered as valid in order to be taught to new members. Culture is what a group leans over a period of time to help it deal with the external environment and with internal integration. Organisation culture therefore changes and grows to adapt to the environment; organisations have to sustain competitive advantage and will be willing to change and introduce new and improved concepts. It is clear that Boots were at this time undergoing a process of change with the merger having been announced and the decision to take the organisation back from public to private ownership. Child (2005, p. 277-278) suggests that change is a normal feature of organisational life and organisations have to evolve in order to survive. Change is difficult and is considered as a threat and there are many barriers associated with it. This is why leaders have to ensure that

the process of change is managed and find ways of ensuring that employees will accept change; especially since it affects organisational culture. Mead & Andrews (2009, p. 84) suggest that when culture is positive and strong in an organisation, the relations between the workforce and management are good; communication will be open, easy and fruitful and morale of the work force will be high. The importance of leadership was noted in several ways during the first stage of the research. Firstly the need to model the behaviours and values (Kouzes and Posner 2011) were seen as important

'I know what the values are because it's part of the job I do. I form part of a leadership team where the way they behave will have more meaning to the 65,000 people that we employ and to our customers, that will our written documentation says. Having said that part of the way that our leaders behave is about the policies, procedures and documentations that we have in place. It's about which of those procedures, ways of working are espoused and acted on, so how do I know that they are the values that I attribute to Boots other than the prescribed Trust values, it's because I see it and feel it'
Director Head Office

4.4 Revisiting 2011 – 2013

The process was repeated between 2011 and 2013 when a range of updates was undertaken to ascertain the impact of the full integration of the Alliance merger and in 2012 Walgreen the USA Healthcare retailer paid \$4.3bn for a 45% stake in Boots and as such it was important to identify the impact of this development. The plan is to fully integrate the organisations by 2015

The integration of Alliance had no material impact on the CSR activities and was seen as a positive move. The only negative comments were around the move of the corporate headquarters to Switzerland however as Alliance was predominantly based in mainland Europe there was an acceptance that although there were clear tax benefits it was a logical decision and as there was no major loss of jobs at the traditional Nottingham head office this was not seen as problematic

'we moved our Head Office to Switzerland which might seem a bit cynical but does make sense as we are now a multi-national business. We have not seen any job losses and our values are still the same – have a look at our CSR reports and the fact that our Chief Executive chairs to committee shows how important it is' Sales Manager Leeds

The comments about CSR activities showed no difference to the previous interviews as Alliance Boots were and are still heavily involved with and In terms of structure there were some comments that the merger with Walgreen would provide additional opportunities for staff however there was no sense that it would impact the values and culture of the business

'we have similar values – Walgreen started out trying to give good value to its local community and so did we. The values of the founders are still visible and are complementary so I cannot see it being anything but a positive move' Branch Manager Birmingham

The initiatives supported have stayed broadly the same – MacMillan are still a key partner and the merger with alliance has given a slightly broader view of the partners with the European Organisation for Research and Treatment of Cancer now partnering with Boots. There are still a myriad of local initiatives that the organisation engages in however the strategic CSR partners are still seen as drivers of value and representative of the Boots values

4.5 Summary

The initial reading suggested that senior managers in the organisation would feel differently about CSR than would front line employees, and whilst there was certainly a difference in the language that they used, all groups from all levels of the organisations held similar views on the positive things that the organisations do for what might be termed their stakeholders. This does not mean that all people supported the same activities or indeed understood

what was meant by CSR, but they all understood the benefits and harm the organisation could do.

From a sense making perspective it became clear that to some extent the Weickian view that people make sense by discussing and by written documents does hold, but what did transpire was that people make sense in their own sphere of interest initially then may look further afield to ascertain a wider boundary. Thus we have front line staff viewing the benefit fund first and foremost as an indicator that the company does put its employees needs high up the agenda, and then some time later considering the implications of climate change. This is contrasted with environmental managers who all had a similar view of the challenges of climate change, but were not aware of the impact of the benefit fund on the front line staff. This was influenced significantly by the 'Trust' campaign that provided the abstract object that could moderate the perspectives to give it a more strategic focus

The notion of future oriented sense making appears in the fig 4.1 Strategic CSR box. Many of the initiatives identified here were focused on creating a 'better' future, so that one business used it not only to promote good work done by their staff, but to ensure that behaviours and practices that they felt, in conjunction with their stakeholders, helped to create a better future both in the UK and overseas were given a platform.

It further became clear that some businesses utilise an outside in approach to CSR, whilst others adopt a more inside out approach (Pater & Van Lierop 2006) where some businesses, especially those who see CSR as a strategic initiative, defined their responsibilities based on their visions and core competencies, ensuring that their initiatives were based on their values or ambitions thus striving to make them part of the corporate DNA, whilst others took an outside in approach being much more focused on stakeholder engagement and spending much time working on stakeholder salience and stakeholder power. Whilst the majority of organisations used a combination of both of these, those who tended towards an outside in approach appear to devote much more time to the identification of which groups to engage with,

sometimes at the expense of being able to embed CSR as a strategic initiative.

The research shows that, whilst there is some evidence that people construct CSR relative to their own personal value system, there is significantly more to suggest influenced by their frame of reference, which they usually take from the organisation. All of the evidence points to the added value that people feel when they can relate the initiatives not only to their own personal values and experiences, but can also frame them in a way that is aligned to the organisations values. The research did not find evidence that CSR is more easily adopted by top managers than by line managers and their personnel nor that line manager's focus only on their day-to-day performance and the financial bottom line (Cramer et al 2004). That said there was a noticeable difference in the language used by different groups to communicate the process – senior managers and communities of practice tend to use the language of CSR, whilst others simple talk about 'doing the right thing'. People at all levels of the businesses researched were very positive about the range of CSR activities although in many cases they did not use the language of CSR simply referring to them as 'doing the right thing' or ' the activities that make me proud to work here'.

CSR offers a framework and reflexive process in which people can construct meaning (Cramer et al 2004) and in some studies have found that it is more easily adopted by top managers than by line managers and their personnel and that line managers usually focus on their day-to-day performance and the financial bottom line and that often line managers wanted to know what they were expected to do and what the specific merits of CSR were for their business. In a subsequent paper for ICCSR, they quote the example of an airline that launched a CSR project within a business unit which ended fairly quickly because the unit manager did not recognise the relevance when looking at the targets that the company gave to him. Boots try to ensure that all activities are seen as relevant to employees and they have a number of tools for ensuring that this happens. The Trust acronym and metaphor has significant benefit in this process and the ability to understand the logic of

initiatives adds much value and helps move the process from a retrospective sense making activity.

One of the issues around CSR and sense making is the notion that the process of sense making is a retrospective activity based around two key questions – what is going on here (the assumption that the phenomenon has happened) and what do we do next (Weick 1995)? This may be problematic in terms of CSR which might be seen as prospective sense making (Gioia & Mehra 1996) where an organisation is engaged in the imagining an idealised future, then working towards it – an example of this might be the environmental initiatives engaged in by Boots or the human rights initiatives that Body Shop were associated with in the past. In this case sense making is not simply confined to the notion of discovering a shared reality, but in crafting a future that is seen to be shared by members of a community. This is done by a process of constructive dialogue where to organisation and its stakeholders can produce a shared vision of the future and act upon it. This suggests that in addition to producing a shared view of the current reality that it is possible to create a shared dream of the future by selecting the issues that are integrated with the organisation's competencies and are affiliated to its core vision of a sustainable future.

In most cases the language of Weick has been useful but limiting – sense making relative to CSR is not simply a reactive and retrospective process and indeed the most beneficial forms of CSR would appear to fall into the category of strategic CSR which are often positioned as future oriented CSR. This suggests that whilst there is clearly a process of sense making going on, it is not always in the fashion prescribed by Weick. That said the process of communication was seen by most as a vital part of the CSR process – and by extension as a vital part of the sense making process – which would be aligned to Weick's perspective on the topic. That said, there is a clear sense making process that underpins that categorisations in Fig 4.1, underpinned by the comments in table 4.2

The difficulty in making a quantitative business case for CSR has previously been noted (Hopkins, 2003) as correlation between CSR actions and any of the measures previously noted does not necessarily mean causality. Indeed it would be expected that any of these measures, or any other measures that might be considered, are the result of a complex variety of interdependent and independent variables. That the brand can be valued is shown in section 4.3.7 however it is difficult to establish a direct correlation between CSR and brand value. Perceived irresponsible behaviour can have a significantly detrimental value on brand – it was noted that the cost to Nike of unethical practices in their supply chain has been estimated at \$0.5bn however to translate this into quantifiable sums for being ethical and responsible is fraught with difficulty. Hopkins (2003) does however assert that there are significant qualitative arguments linking CSR the business case, a view supported by the World Economic Forum (WEF 2002) some of which can be partially, if not fully quantified. These include general Brand Equity and the Trust Boots campaign would support this employee motivation, innovation and risk management – the comments from pharmacy staff would suggest that risk is a well-managed element of Boots culture and stems not from the CSR activities but rather from the scientific background of the most powerful group of employees – the pharmacists. The research would seem to support some of these findings in that it clearly impacted employee motivation and in many cases, particularly in the environmental initiatives identified there was clear evidence that innovation had improved directly due to some of the initiatives. The impact of communication was identified in other initiatives where external stakeholders were engaged, although in all cases employees worried about the perception of exploiting the initiatives for commercial gain. The research suggests that significant value can be added to the key stakeholders of the organisation, the cause and the staff, by ensuring alignment to the organisation's values and strategy. That said, the one off events are seen as being necessary as refusal to support local one off causes can have a very negative impact on the local communities' view of the business.

4.6 Key Points From Chapter 4

The Boots research is summarised below

Summary of Chapter 4

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|---|---|
| <p>How is CSR interpreted by employees to create meaning?</p> | <p>Meaning is created via a range of processes. Firstly there is a strong internal communications process that utilises electronic and traditional means. There is a shift to social media however the age profile of the staff means that many do not use social media. The Weikean process of retrospective sense making does form part of this process however there is strong evidence to suggest that CSR in Boots is used as a prospective sense making tool. This is evidenced by the way that the TRUST campaign which underpinned activities from 2006 – 2011 and still forms a significant part of the organisational values. This creates the context by which the Boots culture is defined and the culture gives the context for levels of affiliation and integration. Additionally Trust becomes a central element of the symbolic interaction process – it becomes an abstract object in the SI process that even when people are unsure of the component elements it has a powerful influence in the creation of meaning and in the construction of a dominant narrative.</p> |
| <p>What are the benefits of CSR?</p> | <p>There are a range of benefits that CSR has for Boots. It is evident that there is a positive impact on Brand value and employee motivation however the engagement in CSR activities reinforces the culture of the organisation and the importance to the organisation is highlighted in the sustainability report that is completed every year. Employees consistently referred to activities that they engaged in having a positive impact and some e.g. the Benefit fund were seen as being representative of the caring side of the organisation. Even at the height of the recession this was still an active strand of the CSR activity. There would appear to be benefits to the brand value of Boots and to the impact of CSR on staff satisfaction was frequently noted by all grades</p> |
| <p>How is it defined?</p> | <p>CSR is defined in different ways depending on a range of factors including but not limited to where the individual sits in the organisation and their</p> |

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| | <p>membership of communities of practice. The definitions stem from the organisational values and tend to reflect health and lifestyle issues. There is no one single definition and whilst some members of staff use definitions of the sort given on chapter 2 many of the shop staff saw it more as a cultural issue – the way we do things and the way we treat people. Ultimately staff did not find the need to have a clear definition as being of great importance – rather they needed to feel that there was a reason behind the activities. Explicit codification and a process focus on CSR saw it transition from a discretionary activity to what was generally defined as ‘day job’ – simply a commercial activity in the same way that any other business support activity might be viewed.</p> |
| <p>How is it operationalised to create shared value?</p> | <p>The notion of TRUST is important in the creation of shared value however it is not the only strand. Being a health organisation many of the staff saw healthcare in its broadest sense and understood that the healthcare and healthy communities are closely linked with education. There was a clear understanding of community activities aimed at improving standards in local communities having a positive impact on stakeholders and that by educating and empowering communities not only do the communities benefit but new customers are created and this process of enlightened self-interest has a positive impact on the business.</p> |
| <p>What is the impact of structure?</p> | <p>There is no evidence that structure has an impact on CSR activities or that the changes in structure had any detrimental impact. This was partly due to the determination of the merged Alliance Boots group to ensure it remained values based. One negative impact of structure was the move of the corporate head office from Nottingham to Switzerland. This move was viewed as being made for reasons of tax avoidance however this was seen as being of limited importance even though paying of tax is seen as a socially responsible activity. The fact that Alliance Group was a predominantly European operation made this move more palatable. The move from Plc to private PE financed management buy in had no impact on employees view of the CSR activities or on the importance they placed or resources that were allocated to CSR activities.</p> |
| <p>What factors impact its credibility?</p> | <p>There was clear evidence that the activities that had high levels of affiliation and integration were seen as being more credible than those seen as</p> |

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| | <p>after tax considerations. Equally specialist knowledge had a significant impact so that climate change was seen as the key activity in the environmental science teams whereas front line staff seemed to find activities that showed Boots as a caring organisation far more important. An important factor in the credibility of the values and CSR activities lay in the narrative and story that sat behind the themes. TRUST acted as both an acronym and a metaphor however for the majority of staff the component parts were much less important than the overall belief that as an organisation Boots should and did foster and develop trust amongst a wide range of stakeholders. The Trust Boots campaign was seen as being a visible manifestation of the company's values and even in times of uncertainty such as the merger there was a strong sense that staff trusted the senior managers to act in their best interest.</p> |
| <p>What is the role of leadership?</p> | <p>The role of leadership was seen as being important in as much as leaders modelled the values themselves and that espoused and enacted values were aligned. Leadership and senior management were seen to provide a conducive organisational climate which met the perceptions and expectations of employees and was seen as encouraging quality of social interactions, recognition of employees efforts at work, ensuring there are accessible channels of communication and ensuring that employees are provided with resources to carry out their duties.. Many of the component elements of the Culture and Leadership code were focused on remaining profitable, making a profit and sustainable competitive advantage but not at the expense of doing business in an ethical way. Equally senior managers saw part of their role as education – not only internally via the internal communications channels but also externally as was evidenced by the work on lowering the carbon footprint that was openly shared with industry suppliers, competitors and with other industries not associated with health and beauty.</p> |
| <p>What is the relationship with organisational culture?</p> | <p>CSR and the organisational culture were very closely interlinked. The history of Boots and the legacy of Jesse Boots were seen as being important. The three levels of culture as defined by Schein were all impacted by the groups' belief in CSR and although they did not use the</p> |

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| | <p>language of Porter and Kramer the notion of shared value was clear in many areas. At an artifactual level there were many reinforcing devices linking Boots to MacMillan and to Breast Cancer research. Staff were all aware of the importance placed on these two activities. Espoused values were understood and were underpinned by initiatives such as the TRUST project. There was a clear belief amongst staff that espoused and enacted values were closely aligned. The shared tacit assumptions were still influenced by the paternalistic capitalist views of Jesse Boots and his name was known to every member of staff interviewed. Again the TRUST acronym and or metaphor was important in the creation and sustaining of organisational culture.</p> |
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Chapter 5: The Co-operative Banking Group Case

This Chapter formed the basis of a peer reviewed paper accepted and delivered at the International Co-operative Alliance Conference Nicosia July 2014. A full abstract is available in appendix 5

5.1 Introduction

In his Chair's statement in the 2011 annual report Len Wardle said,

'After many years in which ruthless competition, unbridled markets and the primacy of the individual have dominated the political landscape, we are now witnessing the rediscovery of social and community values. Co-operation, as an economic model, is being held up as one possible response to the current crisis' (Co-Op 2012).

Since 2008 there has been much discussion of the impact that the Investor Owned Firm (IOF) model of banking has had on the global financial crisis (Turner 2009) and that a different model for banking was both desired and required by regulators, government and public alike. Since 2008 the UK government had been working to ensure that there could be no repeat of the crisis that led to one of the most significant recessions since the great depression of the 1930s. All of the mainstream banks had been implicated to some respect in a series of crises and scandals between 2008 and 2013 either requiring massive state intervention to stop them failing, miss selling products to customers or involvement in a range of other ethically suspect practices. Governments' and regulators have begun to act and the recently implemented banking prudential regulations processes contained in the Basel III agreement (see 5.6), attempts to ensure significantly more Tier One capital coverage for banks; such that they are able to weather any future financial storms without the need for government bail outs or endangering the savings of their depositors.

Co-operatives can take a wide range of forms and operate in multiple markets. Consumer Co-ops provide consumption goods and services at competitive prices and value, making income go further and can include

housing, utilities, health, leisure, financial services. Producer Co-ops, on the other hand enable self-employed small organisations and family businesses to gain the strength needed to survive in the market and can include shared services, retailers. Finally worker Co-ops provide what ILO calls 'decent work' and can include labour only co-ops to large complex organisations (Johnson 2009).

Historically Co-operatives and Mutuals grew to serve groups and individuals whose needs were not being met by the existing capitalist systems that underpin free enterprise. As we know the aim of private sector businesses is to maximize profitability and shareholder returns, whereas a co-operative has the aim of providing goods or services to its members at the best value over a sustainable period of time.

As noted previously there has been a major change in the perception of business and its role in creating value (Porter & Kramer 2011). Until the recent recession traditional capitalism was held up as the answer to all questions of wealth and value creation and value was seen as belonging primarily to shareholders. This perception was reinforced with the rise in interest in corporate social responsibility (CSR) and the adoption of its principles by the majority of large investor owned firms and banks. The global recession and a string of banking scandals has given a new focus on this worldview and found it wanting – organisations of all sizes were believed by the public to be prospering at their expense and the financial rewards to the small group running these organisations were deemed excessive. Shared value can be seen as 'policies and operating practices that enhance the competitiveness of a company while simultaneously advancing the economic and social conditions in the communities in which it operates' (Porter & Kramer 2011). This view asserts that the standard operating model of businesses consists of an outdated perception of how they create value and indeed of what constitutes value. The short term focus of maximization of both profit and shareholder return has been criticised as unsustainable (Carroll 1979, Handy 2002) and the question of how organisations can create shared value (Porter & Kramer 2006) is key to the redefinition of what both capitalism and CSR mean in the 21st century and how it might evolve into a system that meets the needs of its stakeholders in the widest sense.

This chapter examines the way that Co-operative bank is tackling these issues and how it attempted to create shared value by its ethical approach to banking. The chapter applies a case study approach, as outlined in chapters 3 and 4 to the one UK bank that had until recently escaped all of the scandals and financial difficulties that the other UK high street banks have been involved with. The chapter will consider the different approaches that the Co-operative Bank adopts. It takes the form of a case study and the investigation is via an exploratory study designed to reveal context and information regarding the way that the Co-operative Bank underpins its business model with its CSR policies, the benefits that staff perceive this brings and their interpretation of the construct and its importance. The chapter will review how The Co-operative bank uses CSR in its interactions with stakeholders and how it adds value to its members, customers, staff and supply chain. The case takes the form of a longitudinal study over a 5 year period where the bank was re-visited on 3 separate occasions. The first visit in 2007 the second in 2010 and the final visit was conducted in early 2013 when the first concerns were raised over the banks viability. In subsequent months and as additional information became available it was clear that the bank had structural problems that were not known during the research. These are dealt with in section 5.3 however as they occurred after the research was completed and as the research was not concerned with the impact of CSR on the organisational business model – except in the broadest sense there was no impact of the problems to the case.

The approach follows the method outlined in Hingley (2010) and Stake (1995) and can be seen as a clearly typical case of this type (Yin 2003) and the single case give a richness of detail by allowing input from the widest cross section of staff, however it avoids the limitation noted in Chapter 3 section 3.8 and 3.9 and improves validity, as discussed in section 3.9 but examining the case over a period of some 7 years. The case is built using a series of interviews of staff ranging from the Senior Management Team to customer service operatives in stores through the county and is supported by an analysis of all recent documents relating to the bank. The interviews follow a semi structured format and a range of themes and emergent

categories have been identified that give insight into the underpinning values of the Co-operative Bank.

5.2 The Co-operative bank: Background

The key objective of the Co-operative and by extension the Co-operative Bank is to serve the community that it represents and to date the interviews at all levels of the organisation reinforce this fundamental belief. This core value is a recurring theme of all of the interviews conducted and would seem to underpin all other decisions that are made by the society. This is not to suggest that commercial decisions are avoided – the society is acutely aware of the pillars of sustainability (Carrol 1979) and that without economic sustainability it would not be possible to discharge societal or environmental duties – but equally these elements are as central to the organisational values as the need to make profit.

The structure of the Co-operative Banking group is that it is owned by the Co-operative Group. Despite its name, the Co-operative Bank is not a true co-operative in the traditional sense of the word - it is not owned directly by its members, but by a holding company which is a co-operative - it is wholly owned by Co-operative Banking Group, whose sole shareholder is the member-owned Co-operative Group. However, its customers may choose to become Co-operative Group members and hence indirectly acquire an ownership interest in the Bank, earning a dividend on their account holdings and borrowing with the bank. There are 20 directors on the group board, 15 of whom are Regional Co-operative Board members. Each region has at least one representative on the Board of Directors. In addition there are five elected representatives from independent co-operative societies that are members of The Co-operative Group. This structure ensures that the members' interests are considered in all decisions taken. This is a significant departure from the Investor Owned Firm (IOF) model that typifies the other banks. Investor owned firms have a fiduciary duty to their shareholders with their expectations of profit maximization as the key metric of organizational and management success. The need to meet the expectations of the owners is a common theme in both the IOF sector and with Co-op – however these

expectations are significantly different. In a traditional IOF the owners are the shareholders and whilst in some cases the shareholders play an active part and have an important stake in the business beyond simply the financial – in many cases these owners are more accurately identified as investors or even in some cases gamblers (Handy 2002). The Co-op by contrast is owned by its members who are members of the local community that is served by the organisation and who have a very real and live stake in the organisation, not simply from the perspective of being customers. Local Co-operatives – the ultimate owners of the Banking group recycle all profits to the local community via community grants, dividends and support for local community activities and being accountable to a board of directors from the local community gives the society a focus on the local community that would not be possible in an IOF.

Since 2005 there has been a significant shift in the Co-operative landscape. The Co-operative bank and Co-operative Insurance, co-operative Investments, Smile and Britannia have merged to form Co-operative Banking Group (CBG). We saw the beginning of the UK and global banking led recession in 2008 and much of the banking sector required multi £bn bailouts from central government. The ensuing 5 years have seen a litany of scandals, corporate malfeasance and resignations of senior managers due to the irresponsible practices of some of the hitherto most respected financial institutions operating in the global market. Every bank has had some scandals to confront. RBS (and its Nat West subsidiary) and HBOS required nationalisation as did Lloyds. HSBC has faced charges of money laundering and fines from US regulators and Barclays has been embroiled in the LIBOR rate fixing scandal. Every bank has found itself embroiled in scandal with the exception of the Co-operative bank. The Co-operative bank has developed its ethical banking policy in an environment where its competitors resorted to short term gain to the detriment of creating long term value for customers and for the wider stakeholder groups to whom they are accountable.

5.3 The Co-operative and the UK banking landscape

In 1986 the UK banking landscape underwent a dramatic and radical change in that the previously heavily regulated environment that governed banking was deregulated. This sudden and dramatic deregulation known as the 'big bang' meant that the free market doctrine of unfettered competition was introduced to the UK's banking and financial services market for the first time. Whilst in many respects the changes were necessary to stop the loss of the dominant position the UK held in the financial services markets it encouraged a shift in culture for many city institutions to that of growth and enrichment both corporate and personal (Jenkins 2013). In tandem with the big bang many of the historically stable building societies demutualised to create more competition with the existing banks. Halifax, Abbey National, Bradford and Bingley, Alliance and Leicester to name but a few all demutualised attempted rapid growth and all either failed or were taken over. Only a very few including the Co-operative bank, which itself was subject to an attempted forced demutualisation, managed to keep their former status.

The Co-operative Bank had been a successful, if fairly small and niche, bank. Over the previous years it had achieved continuous and steady growth in personal account customers with the associated spin-off from cross-selling of savings, loans, credit cards, insurance and pensions to these customers. In addition there had for some time been a relatively successful insurance arm. The bank had developed a capability for innovation with novel ideas, such as free in-credit banking, interest-bearing cheque accounts and more customer friendly opening hours, proving attractive. However, the big bang and de-regulation had an impact. In particular, the current account market was opened up to building societies and other financial organisations thereby suddenly creating significantly greater competition in the market. By the start of the 1990s this competition was beginning to impact the Co-operative bank with a net loss of customers in an increasingly competitive and crowded market. That there was a falling off in public awareness of and support for co-operation, was evidenced by the culture of privatization and began to undermine the bank's position in the marketplace. Even the customer focus and innovation of the bank's products could not be sustained

and the big 4 banks soon caught up by a combination of introducing the same products, having a more visible presence and outspending the Co-operative bank in advertising and marketing. Terry Thomas, then MD of Co-operative Bank, was deeply committed to the values and principles of co-operation and was keen that this moral legacy should remain as a key part of the bank's strategy (Reeve et al 2003). His management team similarly felt strongly that the bank needed a strong communications strategy if it was to put itself back into the public consciousness. It became clear to the board that an advertising strategy was required if existing customer loyalty was to be stimulated and new customers were to be attracted. Direct competition with the 'Big Four' high street banks was out of the question as The Co-operative Bank was too small to be a credible alternative and lacked their lavish marketing budgets. Nor could it hope to compete with small regional banks whose customers liked their local origins and personal service. The Co-operative Bank could, however, use the profile of its organisational distinctiveness as a means of differentiating itself from all the other current accounts on offer. In the early 1990s the bank undertook a market research exercise which revealed that it had an 'old-fashioned' image among the general public which they associated with the working classes and left-wing political tendencies.

They commissioned five market research projects (Harvey 1995) which gave both positive and negative results ranging from concerns about the way money was invested to the fact that it was in some quarters perceived as not being a 'proper bank'. Consideration was even given to changing the name of the bank to something that the public could relate to. However, the bank's provenance proved to be very attractive among its own customers so the 'Co-operative' name was retained. Market research into why Co-operative Bank customers had joined provided the bank's marketing team with inspiration. In common with other banks, customers were mainly influenced by the proximity of a branch to their home or workplace, by parental recommendation, or by employer referral. For Co-operative Bank customers a further (albeit minor) factor emerged when 5% cited ethical reasons as being their main motive for joining. It was thought probable that this had been driven by the bank's stance against investments in South Africa, whose

government was operating the apartheid system (and, implicitly, institutionalised discrimination) at that time and the fact that they were not embroiled in the 3rd world debt problems. A number of the larger banks were heavily involved in South African investments and were thus regarded by the ethically aware as tacitly supporting the politicians behind apartheid. In addition there was a feeling that some customers were motivated by a vague awareness of co-operative values. Whatever the cause, this minority of customers gave the bank a focus in the quest for sustainable differentiation. Unfortunately, the research also indicated that customers had no clear understanding of what the bank's ethics actually were – unsurprising as the bank had made no public statements about their moral stance.

The 'free market' philosophy of the late 1980s and early 1990s had resulted in a degree of public cynicism about the perceived erosion of business ethics once state control had been relaxed. This had been reinforced by a range of corporate scandals such as the Maxwell Group and Poly Peck cases. In banking, a range of high profile and well-publicised scandals, such as Barlow Clowes and BCCI, had raised doubts about their ability to securely manage the deposits that they were given by customers. These concerns about the ethical management of funds was especially heightened amongst the graduate and professional sector of the public, who were also the most attractive sector as far as the banks were concerned since they earned regular, sizeable incomes and tended to manage their finances responsibly. Picking up on the moral awareness of this group, The Co-operative Bank decided to market itself to these graduates and professionals using an approach which has led to it being popularly dubbed 'the ethical bank'.

The bank continued its quantitative and qualitative market research. The first exercise was to research amongst undergraduates who, as the graduates and professionals of the future, might have been expected to have the greatest interest in and support for the values and principles underlying co-operative banking. But in this, as in some of the other research conducted, there were clear signs of lack of understanding or awareness of the 'cycle of money' (where deposits are recycled as loans), ethical investment, ethical consumerism and concern with anything other than a lucrative career enabling the purchase of luxury goods. As is so often the case when

researching radical ideas, the findings were dispiriting. The bank's marketing management decided to take a giant leap of faith and chose to believe that, upon repeated exposure, a significant proportion of their actual and potential target population would warm to their ethical stance and prove to be like-minded.

The bank had developed a set of values and principles that echoed those of the Rochdale principles: quality and excellence, participation, freedom of association, education and training, co-operation, quality of life, retention of funds and integrity (Kitson, 1996) This mission and values influenced the way in which the decision surrounding the ethical issues that the bank would take a stance on. In a true co-operative, democratic tradition, the decision as to the precise ethical focus had to belong to the customers. Thus the bank sought a mandate for its decision through a lengthy consultation process. The findings revealed that the bank's key customers (both actual and target) were most concerned about:

- Human rights
- Military exports to oppressive regimes
- Animal rights
- Environmental damage
- Manufacture of tobacco products

After considering the implications of these findings for the business of banking, the decision was taken that the Co-operative Bank would focus on the responsible sourcing and distribution of funds as its distinctive, ethical message. In order to unequivocally demonstrate that it was willing not to only espouse the values implicit in the concerns of its customers but also to enact them, the bank developed an ethical policy governing the organisations and projects in which it would invest. This policy directly reflected the concerns of the bank's customers. However, expert though they may be at banking and marketing, the bank needed outside help when it came to drafting detailed and precise ethical policy statements. The bank received much support in its work and many charities and NGOs, e.g. Amnesty International, the RSPCA, the League Against Cruel Sports, the RSPB and Christian Aid (amongst others), to contributed to the development of the banks ethical policies. The involvement of these specialist bodies helped the bank to avoid many

potential pitfalls which could have resulted from loose wording. For example, a stance against 'blood sports', could have implied taking a stand against fishing, which was not the bank's intention at all. The bank further recognized that these principles had to be reviewed and it saw changes in the policy as time went on e.g. initially the bank refused to accept accounts from Ostrich farmers as this was new to the UK and there was a feeling that these were wild animals and that there may be similarities to other exploitative forms of farming however when this turned out not to be the case these forms of businesses were supported.

The bank's existing customer base was reviewed to ensure that there were no clients whose activities breached the policy. This review resulted in a few clients being asked to move their accounts elsewhere, including fox hunts and a cosmetics firm that tested their products on animals. In order to communicate its ethical stance and raise awareness of its activities amongst the graduate and professional group of potential customers, the bank took the decision to advertise. This course of action proved somewhat controversial with critics arguing that, if the bank advertises its ethics as a means to pursue its own ends, then it is, at worst, not acting from a pure moral duty or, at best, acting from mixed motivation to exercise its duties to others as well as behaving self-interestedly. Four simple, human storylines with a moral twist in the tail were chosen, and portrayed using black-and-white images. The print and TV coverage was geared towards the target customer group by focussing on broadsheet newspapers and current affairs programmes. Despite the controversy over advertising, the bank's new strategy seems to have worked. Immediately the bank's current account customer base strengthened and, because members of the business and managerial audience also saw the advertising, the number of organisational accounts, including customers such as charities, student unions and local authorities, also grew. There were early, strong indications that the bank was on the right track.

Feedback obtained through in-house, pre-launch training revealed that there was a very strong positive reaction from staff, especially those who had most contact with customers and their reactions to the strategy. The launch itself brought a big postbag of customer letters, most of which were extremely

positive and supportive, although naturally a few disagreed with the bank adopting a moral position. To this day, the bank follows the same basic strategy initially developed as a response to a need to compete in the current account banking arena.

One of the first challenges for the bank in the post 'big bang' era came in 1997 when CWS was subject to an aggressive takeover bid by Lanica Trust Ltd. Lanica had been set up in 1994 with the aim of buying the CWS in its entirety. The motivation for the purchase appeared to be the prospect of being able to asset strip the successful financial members of the group, that is, The Co-operative Bank and the Co-operative Insurance Society. At the time many mutuals, were converting into private ownership, with members being persuaded to take shares or cash. A combination of lack of awareness of what it meant to be a mutual or co-operative organisation, the prevailing culture of short term gain and a PR campaign but existing management in many of these organisations led to members agreeing to sell and to allow many of the building societies to become private sector investor owned firms. Fortunately for the bank the Lanica operation failed due to the actively democratic nature of the CWS, the complexity of the democratic ownership structures, and the sheer determination of the board. Not only did Lanica misunderstand the situation and depth of feeling within the CWS but they were also subject to a successful legal challenge that ensured the failure of the takeover.

It has been argued that it is easy for an organisation to produce an ethical policy but this may be purely rhetorical and not backed up by genuine conviction and effective action. The Co-operative Bank made great efforts to back its words with action and sets great store on accountability and transparency in its dealings and this became clear from the research. In-house training and management systems underpin the process and external auditing evidences the openness to examination and willingness to be held accountable for the findings. Bank staff were supported in their efforts to uphold the ethical stance of the bank in several ways. The transition from training to practice is made rigorous through processes and procedures that give individuals ownership and accountability for designated targets and decisions whilst also creating a paper audit trail. Any decisions that staff

cannot make easily are referred to a section whose main task is to undertake research into the issues raised and argue through the tensions among the different ethical perspectives involved. The bank operated a stakeholder approach to strategy (Freeman 1984), which it adopted in 1997. This approach is founded on a commitment to serve the interests of the main (seven) partners, or stakeholder groups, involved in the bank's activities i.e. shareholders, customers, staff and their families, suppliers, local communities, national and international communities, and past and future generations of co-operators. The aim was to deliver value, as defined by these partners (and not by the bank), in a socially responsible and ecologically sustainable manner. Under the leadership of a new chief executive in 1997, a Partnership Development Team was established, internal policies and procedures put in place to enable the Partnership Approach to be enacted, and external auditing widened in scope with the first Partnership Report having been published (and audited) in; and in 1999 the Co-Operative bank became the first to open a fully Internet based bank when it launched Smile to capture the new breed of Internet literate customers. The ethical policies of the bank were more and more strongly embedded and were perceived by customers as giving the bank a uniqueness compared to the other main high street banks and the bank saw its customer base continue to grow. Potential suppliers were being evaluated on their ethical performance, sometimes with the help of outside agencies, for example the Omega Foundation which traces the complex and often opaque provenance of arms worldwide. As partners, the suppliers were invited to engage in a process of dialogue with the bank in a similar way to that used to create a dialogue with customers. The introduction of the partnership approach appears to have had a strengthening effect on the bank's business in its own right, with the number of customer accounts increasing by 30% and profitability nearly doubling over the subsequent three years.

In 2002 the bank celebrated the tenth anniversary of the launch of the original ethical policy. The previous eleven years saw the bank establish a process through which continuing change and development occurred as a result of willingness to publicly engage with interested parties in open dialogue, to undertake the intellectual effort of rigorous ethical decision

making, and to accept the challenge of turning ideas into realities (Harvey 1995). The process was an on-going and dynamic human concern rather than a static, achievable goal comprising some envisioned state of perfection. The Bank also took the decision to change the tangible face of the bank by moving away from the traditional high street branches and creating high-tech Service Centres enabling customers to carry out their transactions without leaving their homes or offices. This centralised resource, which enables telephone and on-line banking, has been shown to have a positive impact on levels of service and customer satisfaction. The partnership approach to workplace issues has done much to address the reputed negative effects of call centre working on employees. However, the Service Centres are an illustration of how balancing partners' interests is by no means easy and the bank was criticised for the loss of jobs amongst branch personnel, although this was balanced to some extent by the creation of Service Centre jobs and a general understanding that the sector needed significant restructuring.

The most stringent test of The Co-operative Bank's pledge to openness, accountability and change took the form of the social and environmental audit which underpins that bank's sustainability report. This is the procedure through which external auditors examine each of the bank's major stakeholder groups, or partners, and evaluate the extent to which ethical policy and the partnership approach are being implemented i.e. the extent to which the bank is actually doing what it says it is.

The annual sustainability report is made public on the bank's web-site. Not only does this document represent the bank's honest appraisal of its activities but it also acts as the focal point for the auditors' investigations. The auditing process is extremely thorough and involves both self-assessment and external assessment of a range of metrics. In addition to the audit there is also a review of the extent to which the bank delivers value to its partners, Business in the Community provides an evaluation of the bank's efforts to be responsible in relation to its social impact, and other organisations such as Natural Step contributed feedback on progress towards ecological sustainability. The feedback from this social audit not only speaks plainly

about the areas where the bank is not coming up to scratch but equally clearly identifies the positive outcomes of the bank's activities.

In 2002 the Co-operative Financial Services is formed to bring The Co-operative Bank, Co-operative Insurance and Smile under common leadership. The period from 2002 – 2009 saw the bank facing the same market conditions as all other retail banks with a period of sustained growth followed in 2008 by the banking crisis. In terms of its own operations the co-operative bank was not implicated in what was seen as a banking led recession where hubris and ideology of growth and short term profit maximization left banks either massively exposed to loan defaults on mortgages that were lent on the basis of assumed continued increase in property prices, a business model that required access to finance far in excess of the reserves that the banks could ever hope to cover or having paid massively too much in M&A activity where governance and due diligence were sacrificed to the need to grow at all costs. Britain spent a total £124 billion pounds bailing out Royal Bank of Scotland, Lloyds Banking Group, Northern Rock and Bradford & Bingley during the 2008 financial crisis, according to the independent National Audit Office. There have been a range of explanations given as to why the UK Investor Owned banks, without exception, were touched by scandal – greed, hubris, poor governance and a culture of growth at any cost and the agency problem where managers serve their own interests instead of the owners of the business have all been suggested. RBS had to be taken back into public ownership after the board purchased ABN Amro without fully understanding the exposure that this bank had to bad debt, Lloyds took over HBOS and found itself in a very similar position, and both HSBC and Barclays have been at the centre of significant banking scandals. These might be seen as a combination of the factors mentioned previously on the part of RBS and Lloyds/HBOS and of a culture of dishonesty from the HSBC and Barclay's perspective. The only two institutions to emerge unscathed were(the Co-operative bank and Nationwide (another mutual). These plus a range of other problems led the main banking supervisory body representing all of the G-20 nations (The Basel Committee on Banking Supervision) to review the conventions for bank funding. Basel III as it became known was suggested that banks held

significantly more reserves of what it calls Tier 1 capital – a measure of core capital to risk weighted assets and the core measure of a bank's financial strength from a regulator's point of view - increasing via a complex calculation to 7% from an original 4%. Details of the Basel III requirements are given in section 5.6

5.4 Data Collection and Analysis

As outlined in chapter 3 interviews were carried out over a 7 year period (2007 – 2013) to give a longitudinal study of the staff's understanding and perspectives on CSR. For the sake of analysis this has been analysed in 2 sections 5.4.1 gives details from the period 2007 – 2010 and section 5.4.2 gives details from 2010 – 2103. Although by 2013 the beginnings of the banks problems were known they were in their infancy and so had little impact of the interviewees. By the time the full extent was known (detailed in section 5.7) all interviews had been concluded. Table 5.1 below gives a summary of the key themes from the interviews

Table 5.1 Key Themes and Selective Codes

| Selective Code | Finding | Illustrative Quotations |
|--------------------------------------|---|---|
| Creation of Meaning and Sense making | There was no simple sense making approach hence a number of interpretations existed although the notion of ethical banking was understood | ethics is such a loaded idea – you ask 10 people what’s ethical and you’ll get 10 different understandings or 10 different ideas We work with a range of stakeholders to shape our ethical policies then we have to make sure they are communicated. They are not an add on – they are part of who we are and what we do Is must be aligned to the Vision and direction of travel |
| Definition | CSR was not clearly defined as it was felt to be an underpinning facet of the co-operative movement | what’s a socially responsible approach, there is no consensus it’s much more personal, much more moral, so whose ethics - and this idea again that its customers who guide our ethical policies we’re directed by their ethical concerns There is too much information that we are faced with – some is irrelevant It is about doing business the right way but still making a profit. The triple bottom line is important to us |
| Activities and Focus | A range of activities and the alignment –affiliation levels varied. More details are given in table 5.4.1 and 5.4.2 | We have a range of activities that we are involved with credit unions and giving access to excluded people. That is a good thing I can see a range of projects that we support. Last year we worked with Mencap and this is a really worthwhile cause. Mental health is a massively important thing – everything from stress to people with severe mental health problems and disabilities. These people are also our colleagues and customers |
| Beliefs | Although co-operative values were seen as important the decision of the bank to engage in ethical business was core to the beliefs | Since 1992 we were the first bank to have an ethics policies – we have been leaders in this We have always been an ethical bank so we are not going to change now |
| Paradigms and Shared Value | The paradigm was of ethical banking however the definition of this varied throughout the group | We try to have a positive impact to ensure that the communities we serve benefit from our business activities. It’s the Co-operative way It lets us see what is important not only from a business perspective but also from a social and environmental perspective. |
| Structure and Configuration | The hybrid co-operative structure was seen to be important in that the 5 pillars were of value | The Co-op structure underpins everything that we do. We are owned by the group who are in turn owned by their members so although we are slightly different we actually follow the same principles If we did not have the co-operative structure our culture would be different. The structure underpins our culture |

| | | |
|-------------------------------|---|---|
| | | The structure means that we are more focused on the stakeholder groups than a listed business who only think about shareholders |
| Business Case and Measurement | The Co-operative bank are sector leaders in the quantification of the impact that their ethical policies have. These are measured and all staff are made aware | We measure the impact of our ethical policies and I think that everyone is aware of the impact that they have. We know how many of our customers bank with us because of our policies Our sustainability and CSR reporting are a key part of how we do business. It focuses us on what is important |
| Culture and Leadership | There was acknowledgement that leaders tried to give leadership in ethical banking however some significant contradictions were noted that leaders seem happy to ignore | We must set an example – it's no good saying we are ethical then pressuring people to behave unethically part of the job is to help front line staff understand how we can incorporate it into our activities Our KPIs must be met – there is no other option but they must be met in a way that does not compromise our values and beliefs |

Over the period of the study the UK economy in common with the global economy went into one of the deepest recessions since the 1930s depression. The impact on the staff view of CSR seems minimal. In the interviews conducted between 2008 and 2013 there was no evidence that the economic conditions had impacted the banks values and ethics. There were a range of themes that were identified and these themes are discussed below. The categories came from the open, axial and finally the selective coding as detailed in chapter 3. Selective coding is the process of integrating and refining the theories and as such it is the selective codes that are the most relevant in this section. The selective codes are given below

1. Creation of meaning and Sense making
2. Definition
3. Activities and Focus
4. Beliefs
5. Paradigm and shared value
6. Structure and Configuration
7. Culture and Leadership

5.4.1 Creation of Meaning

This category (closely linked to sense making but with a different focus) came through the coding process as a way in which meaning was given to the organisation and to the work by the values and ethical stance taken by the bank. Meaning was created in a number of ways. Firstly the process of symbolic interactionism (see Section 2.12) was clearly present. There was significant evidence that staff at all levels interact with each other to make sense of the construct but that they also use a wide range of alternative processes. There are a wide range of moderating and influencing factors in this process. The bank employs a diverse range of staff and they bring with them an element of national culture as well as the behaviours and beliefs that come as a result of the social context in which they are part. The process of Symbolic Interactionism (SI) involves both immediate colleagues but there is clear evidence that the activities that are deemed to be more important are a factor of position, education, beliefs and influences. Many of

the front line staff were focused on local initiatives that the bank is involved in and view these as the key to being responsible. As such they discussed initiatives such as engagement with schools or local education projects as being the key drivers that made sense of the organisational values and beliefs. There was evidence that the process is influenced by external factors such as press and television. This is still part of the SI process as is discussed in section 2.12 where it is noted that

'In terms of SI the world that exists for people and their groups are composed of objects and these are produced by SI. Objects can be physical (a chair), social (students, friends) or abstract (moral principles, CSR, doctrine). The nature of an object consists of the meaning that it has for the person for whom it is an object. An object can have different meaning to different people'

The values and the underpinning activities of the Co-operative bank are clearly abstract objects in terms of SI and they clearly have different meanings to different people. Thus the directors and senior managers have a view that stakeholder engagement and commercial priorities are central to the process whilst first line staff use more internally focused mechanisms such as team meetings to help with this process. Additionally this process involves uses the ability of staff to communicate and help others to create meaning – many of the head office staff felt that part of their role was to ensure that the main themes were clearly understood. This was especially noticeable in specialist teams such as the Ethics unit headed initially by Simon Williams and Chris Mills but also by the Communications and HR teams who felt a strong sense of ownership and were champions of the process. One aspect that had changed over the years was the focused and explicit introduction of the 5 Pillars that the bank use to give structure to the process. These 5 Pillars(human rights, international development, animal welfare, economic and social development in Britain and environment) provided a guiding set of principles however even with these there was evidence that the SI process is an important part of the process of creating meaning. Staff tended to be drawn instinctively towards one or more of the pillars and they linked them back to the banks ethical policy. For instance for many of the front line staff activities that are focused on local initiative (so

more closely aligned to economic and social developments in Britain) whereas directors and senior managers because of their links with larger NGOs as part of the stakeholder management were saw human rights and international development as higher priority. The impact of the interactions with these groups and with the wider co-operative community would appear to impact the value that is ascribed to the differing activities and values. This additionally suggests that the process of SI is open to influence and that there is an important role in communicating the rationale behind the differing pillars and the activities that sit behind them. This helps in the process of creating meaning and is likely to give a better level of understanding as to the levels of integration and affiliation (Chapter 3 Fig 3.2) again helping with the process of sense making. The subject of integration and affiliation is a frequent topic in the creation of meaning. It was clear from the data that at all levels staff had a greater sense of understanding of the activities that showed a higher correlation than a lower correlation. Indeed the senior managers used this as a central element of their creation of meaning

'What we do is as a start we say we're not a charity, we are a bank first and foremost and we have to provide decent products and decent service, people aren't with us out of the goodness of their heart, they're with us because they want a good financial service provider but one that has a sense of doing business the right way. That way everyone benefits – staff, customers, and the wider co-operative community' senior manager banking

In call centres meaning tended to be created by a more obvious process of SI

'We can influence the decisions and the causes that we are involved in. Our team meetings include a briefing on these' Front Line Staff Member.

At every level people were engaged in the creation of meaning and the importance of SI in this was clear however with the exception of the introduction of the 5 Pillars there was no sense of a change over the time period being considered.

CSR is complex and sit on the intersection of facts, beliefs, values and norms. The way that sense is made of the construct in the bank is a social process that unlike a traditional Wiekian approach is not retrospective and indeed seems to have elements of prospective sense making. Bank staff are

generally of the view that they are trying to create a shared vision of a desirable future.

'We have team discussions to ensure that people are aware of the priorities. They underpin the decisions as to business that we take or initiatives that we engage with. they must add value to more than just the bottom line'

Customer Service Advisor

'Surely the way forward is in ethical banking – the other high street banks are only worried about their profits and the dividends that shareholders receive. We are worried about profits obviously and have KPIs but more importantly it is about how we make those profits and the benefits that they bring. It is much more than simply a financial target – we have social and environmental impact to measure and it must be positive' Head Office Manager

The sense making process does link in strongly with the creation of meaning through Symbolic Interactionism however in this theme the process of communication and the ability of everyone to make sense of the logic behind The bank does not have a simple sense-making device that staff use and this has led to a range of differing objects being used in this process. The ethical policies were significant in this regard and other staff of all levels would relate to specific instances where the ethical policies provided the objects that staff used to make sense. There were occasions where specific industries had been declined e.g. the arms industry or intensive farming. Staff tended to use these as part of the sense making process

'we turned down the chance to work with one of the largest suppliers to the food industry because we felt that we could not guarantee that the conditions that they kept their animals in were humane'

In their paper Making Sense of CSR, Cramer, Jonker and van der Heijden examine the process of sense making and developing meaning in CSR. They use the language of Karl Weick (Weick 1995) where he asserts that sense making is about such things as placement of items into a framework, comprehending, dealing with surprise, constructing meaning and trying to gain mutual understanding. In this respect the bank staff do make sense of their CSR activities by placing them into a framework – and they often use the ethical policies as part of this framework. The theory of sense making

asserts that it is an inherently social process involving gaining an understanding of what others want and trying to ascribe meaning to it (Goia & Chittipendi 1991). Sense making is thus related to complex issues and not to simple everyday problems that occur in organisations which can be resolved through routine processes and procedures. This is especially important where facts interact with beliefs, values and norms – an important part of CSR (Nijhof & Jeurissen 2006). At the core of this form of sense making is the notion that people retrospectively make sense of their environment, behaviours and consequences (Weike 1995) and again the bank staff by using the ethical policies evidence that this plays a significant part of the process of creating meaning. This process is complicated by the fact that in the bank staff might adopt a range of stakeholder perspectives as stakeholder engagement is a strength however it can lead to what Maitliss (2005) identified as Fragmented Sense making. This happens because different employees are likely to use differing mental models influenced by their own beliefs and values to make sense of their environment (Morsing & Schultz 2006), thus making the process both complex and subjective

5.4.2 Definition

There was an explicit understanding that definition was important and was linked to the sense making and creation of meaning. The role of the organisation in facilitating this process was noted - although there was a sense that information overload could be problematic. The need to give a definition was clear in some of the interviews however the co-operative movement gave a framework through which definitions were broadly understood. Interestingly over the course of time there was a slight but noticeable shift from the more traditional view of CSR as a set of activities that whilst they were wrapped around the Co-operative values still had a sense of the Carrol (1979) definition of responsibilities encompassing economic, legal, ethical and discretionary elements discussed in section 2.1 and table 2.2 as time moved the definition became more aligned to the Porter and Kramer (2011) Shared Value definition where the bank tried to

increase competitiveness whilst simultaneously advancing economic and social conditions in society. The promotion of the 5 Pillars had a significant impact on the ways that the construct of CSR was defined however the notion that as a Co-operative we are different impacted the definitions – the belief that in the Investor Owned Sector CSR is an add on but in the Co-operative doing good is seen as part of the DNA and culture (as will be discussed in 5.4.10) of the organisation was obvious.

'We need to ensure that everyone knows this is not an add on. If people do not understand what it is how can we expect them to engage so they need to know that the 5 pillars are not simply a set of aspirations but are core to what we do and who we are. We try to have a positive impact on all of our stakeholder' Senior Manager Head Office

'I like the ICA definition – that underpins what we do and who we are and it links into our 5 pillars but it is about how we make them real in every activity that we are involved in' Business Manager

At no point in the research was there any suggestion that staff did not have a shared understanding of the importance of ethical banking and they had a very clear shared understanding of the definition which was underpinned by both the Co-operative values and the 5 Pillars adopted by the Co-operative bank themselves. The fact that the Pillars were, in part, determined by the staff gave a strong sense of ownership and the ability to feed into the process clearly helped the staff to come to a common understanding of its importance.

5.4.3 Activities

The range of what might be termed CSR activities at the bank were significant and ranged from overtly political to cause related activities and what might be termed 'after profit' donations. The impact that these had was significant and there was a general approval for the process of adopting a 'charity of the year' that was a group decision that the bank supported. This

meant that the affiliation and integration matrix discussed in chapter 3 was of slightly less importance as the activities driven from the group were likely to be less directly relevant to the bank as they might otherwise have been however it was clear that whilst staff and managers saw themselves as being employees of the bank first and foremost they also understood the importance of the wider group and indeed the co-operative movement. These are shown in Fig 5.1 with extended comments given in table 5..2

| | | |
|---|--|---------------------------------------|
| <p>4 <u>Cause Related</u></p> <p>Charity of the year</p> | <p>1 <u>Strategic CSR</u></p> <p>Charity accounts</p> <p>Outreach programmes in socially excluded areas</p> <p>School outreach</p> | <p>High</p> <p>Affiliation</p> |
| <p>4 <u>After Profit Activities</u></p> <p>Sponsorship</p> <p>Gifts</p> | <p>2. <u>Relevant Activities</u></p> <p>Climate change activities</p> | <p>Low</p> |
| <p>Low Integration High</p> | | |

Fig 5.1 CSR Matrix

There was in fact evidence of the Charity of the Year initiative raising awareness of workplace issues

'Last year we worked with Mencap and this is a really worthwhile cause. Mental health is a massively important thing – everything from stress to people with severe mental health problems and disabilities. These people are also our colleagues and customers' Head Office Manager

Activities that were aligned to the 5 Pillars and the ethical policies were more readily understood however even the box 4 after profit activities (e.g. sponsorship of local events) were seen as adding value. It was notable that these events were not treated with the same level of cynicism as some of the Investor Owned Firm staff where there were suggestions of tax incentives and breaks in donations after profit. Over the time period there was no

evidence of any specific changes to the activities although there was an acceptance that activities needed to be reviewed and refreshed. Thus the integration and affiliation matrix had more than one driver – the bank and the wider Co-operative group. This meant that the staff needed a wider information set and this sometimes created tensions

‘There is too much information that we are faced with – some is irrelevant’
Front line banking employee.

Table 5.2 Comment linked to activities

| | |
|--|---|
| <p>Strategic CSR comments The most important initiatives are the ones aligned to the values of the (Rochdale) pioneers – so it is about the principles of the co-operative movement</p> <p>Our stance on accounts is the most important thing that we do. We do not accept accounts from organisations that we think are unethical – that is what it means to be an ethical bank</p> <p>I don't spend all day thinking about the problems in Burma but our ethical trading is important to us</p> | <p>Relevant Activities comments we're not sat immersed in it all day and having team meetings about planet change, we have a very clear function they are customer service advisor they are about account management and that's what they are there to do, but as part of induction it is covered, it's what sets us apart.</p> <p>The local projects have more impact</p> <p>I think that we ban arms companies but support local causes which is great</p> <p>I think that we have too much focus on problems overseas and we forget our own problems. We are supporting local causes and I think that this is important</p> |
| <p>Cause Related comments I can see a range of projects that we support. Last year we worked with Mencap and this is a really worthwhile cause. Mental health is a massively important thing – everything from stress to people with severe mental health problems and disabilities. These people are also our colleagues and customers</p> | <p>After Profit Activities comments We need to make sure that the staff don't ever think of it as some sort of after profit initiative. The causes all align to the pillars and to our values</p> <p>We raised money for Red Nose day – it was really good fun and it shows that we are not just all about money and profit</p> |

5.4.4 Beliefs

The impact of the co-operative values and history was perhaps the most notable element of the research. There was a deep understanding of the story that the Co-operative movement was significantly influenced by the Rochdale Pioneers and that the original Rochdale Principles of one member one vote, sexual equality, equal rights for both old and new members and equitable distribution of dividend could still be seen as being of relevance almost 150 years later. These principles underpinned the belief system that

many staff have and influence definitions and activities. It was identified that the ICA (2012) definition of a co-operative was widely understood and again underpinned much of the belief system of all staff

'A co-operative is an autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly-owned and democratically-controlled enterprise' (source ICA 2012)

The ICA values were well aligned to those of the bank

'Co-operatives are based on the values of self-help, self-responsibility, democracy, equality, equity and solidarity. In the tradition of their founders, co-operative members believe in the ethical values of honesty, openness, social responsibility and caring for others.'

And the seven ICA principles were seen as being relevant to the banks culture.

1. Voluntary and Open Membership

Co-operatives are voluntary organisations, open to all persons able to use their services and willing to accept the responsibilities of membership, without gender, social, racial, political or religious discrimination.

2. Democratic Member Control

Co-operatives are democratic organisations controlled by their members, who actively participate in setting their policies and making decisions. Men and women serving as elected representatives are accountable to the membership. In primary co-operatives members have equal voting rights (one member, one vote) and co-operatives at other levels are also organised in a democratic manner.

3. Member Economic Participation

Members contribute equitably to, and democratically control, the capital of their co-operative. At least part of that capital is usually the common property

of the co-operative. Members usually receive limited compensation, if any, on capital subscribed as a condition of membership. Members allocate surpluses for any or all of the following purposes: developing their co-operative, possibly by setting up reserves, part of which at least would be indivisible; benefiting members in proportion to their transactions with the co-operative; and supporting other activities approved by the membership.

4. Autonomy and Independence

Co-operatives are autonomous, self-help organisations controlled by their members. If they enter into agreements with other organisations, including governments, or raise capital from external sources, they do so on terms that ensure democratic control by their members and maintain their co-operative autonomy.

5. Education, Training and Information

Co-operatives provide education and training for their members, elected representatives, managers, and employees so they can contribute effectively to the development of their co-operatives. They inform the general public - particularly young people and opinion leaders - about the nature and benefits of co-operation.

6. Co-operation among Co-operatives

Co-operatives serve their members most effectively and strengthen the co-operative movement by working together through local, national, regional and international structures.

7. Concern for Community

Co-operatives work for the sustainable development of their communities through policies approved by their members

5.4.5 Paradigm & Shared value

The beliefs outlined in 5.4.4 had a direct impact on the organisational paradigm which has a strong link to the organisational culture – and in fact might be seen as the core driver of culture

‘It lets us see what is important not only from a business perspective but also from a social and environmental perspective’ Senior manager

The notion of shared value seems to lie at the heart of the co-operative movement and as such is one that the staff can easily relate to – it forms the core of the Co-operative movement’s organisational paradigm. It was also the most common theme to come out of the coding process and even instances where other aspects were being discussed e.g. under definitions the theme of shared value comes through clearly

‘We do not practice CSR – it is part of who and what we are. We are co-operators and that is more important’

‘...it links into our 5 pillars but it is about how we make them real in every activity that we are involved in’

The Co-operative paradigm is that of shared value – if we consider the beliefs and values outlined in section 5.4.4 we see that the creation of shared value is important to the movement generally for staff working in the bank the Porterian notion of shared value was not always seen as the key driver of organisational values. Whilst all understand that the organisational paradigm is that of ethical banking and that values and CSR are at the core of the bank the notion of shared value as a means of interpreting and operationalising CSR was not universally agreed.

5.4.6 Structure and Configuration

Structure and configuration referred to the notion that being a Co-operative per se was a key factor in behaving in a socially responsible way. There is much rhetoric around the importance of the Pioneers and of the ICA definition of what being a co-operative actually means and there is no doubt that it is an important factor in the values and beliefs that the organisation espouses however there was a mixed view as to whether the structure and configuration was a driver of ethical behaviour or is the organisational values and beliefs were the drivers and the configuration was simply a matter of irrelevance. There was a notable difference between the more operationally focused staff

'I know we are a co-op and it is important to us but I'm not sure if that is what dictates how we behave. I think we are much more about the values that the structure' Middle Manager Banking

'We are a cooperative but I don't see it as a big deal. I think it about our people' Front Line Call Centre Staff.

And the more senior managers

'Being a co-operative is massively important but not all cooperatives have the same values base as we do.' Senior Manager Head Office

However even within this difference there was a recognition that not all Co-operatives have the same values the bank does so for example Birchall (2009) gives the definitions of consumer, producer and worker co-operatives and there was recognition that these can and do have different sets of values governing them. Producer co-operatives often exist to create opportunity for the members to gain access to markets or to compete in areas that would otherwise be inaccessible due to economies of scale or barriers to entry. These forms of co-operatives tend not to have the same value set as those of the bank or indeed the ICA and are often more focused on the maximisation of profits for the members. The focus from the bank staff was that whilst being a co-operative was important to them of greater importance were the values and the ethical practices that whilst clearly influenced by the configuration were no a direct result of the configuration and structure

5.4.7 Business Case and Measurement

The Co-operative bank first started to measure its CSR and sustainability impact in 1998. Between 1998 and 2005 it was reported independently from the Co-operative group however in 2006 the banks report was combined with the wider group in the Sustainability Report. This changed in 2013 when the problems noted in the bank meant that the bank had to be separated from the group so once again the bank reports its activities independently. The reporting is seen as a key element of the banks values

'Our sustainability and CSR reporting are a key part of how we do business. It focuses us on what is important' HR Manager Head Office

The much of the report is premised on the banks ethical policy which is central to the banks operation. The policy is sent out for consultation to all of the banks customers and the report meets the GRI reporting standards and is in line with the AA1000AS methods (see chapter 2 section 2.6) the reports are independently assessed by DNV – a global sustainability consulting group (<http://www.dnvgl.com>). The bank reports on the impact of its ethical screening of customers quantifying the cost of business turned down and giving details of the category that caused the business to be declined e.g. Animal Welfare. The bank quantifies the money raised via its social and environmental banking policies where the bank makes donation to charities and environmental causes when an account is opened or credit card taken out. The bank also reports its support for credit unions and micro-financing initiatives in overseas less developed countries. In common with the other organisations in the study the bank also report on their CO2 emissions, environmental impact and their social and charitable work (Co-operative bank 2013)

The general view amongst staff is that the reporting is an important part of what the bank do. Over the course of the study the benefit that it conferred was noticeably eroded with less value being placed on it in the later interviews than in the early research. This was a combination of two factors – firstly sustainability reporting has now become much more mainstream and secondly the fact that between 2006 and 2012 the reports were incorporated into the group's overall report making it less obviously the banks report.

'Reporting is necessary because it is expected – if you don't do it you are seen as not being responsible' Customer Service Manager 2012.

The Global Reporting Initiative (GRI) note that the benefits to sustainability reporting include building trust, improved process & systems, progressing vision & strategy and reduced compliance costs (<https://www.globalreporting.org/resourcelibrary/The-benefits-of-sustainability-reporting.pdf>). This was no doubt a factor in the success of the bank. It was a trusted bank however this trust was severely damaged by the scandals on 2013 however it was saved from the run that other banks such as Northern Rock were subjected to so clearly social capital had been build. In addition the Vision and Strategy was still focused on ethical banking despite the problems. Any benefits that the reduced compliance costs may have had was lost in aftermath of the scandal however the bank does seem to have accrued some competitive advantage from its ethical policy and part of the measurement and reporting focused on how many customers had joined the bank because of its ethical stance – a figure that was quantifiable and reported.

5.4.8 Culture and Leadership

One of the dangers of trying to understand culture is in oversimplification. Usual definitions of culture are 'the way we do things around here'. 'our basic values' 'the organisational climate' are all manifestations of culture but none are culture at its most basic level. Schein (1995) suggests that culture can be identified at three levels ranging from very visible to tacit and invisible. Level 1 defined by Schein as Artifacts are the easiest to observe when going into an organisations – they are visible and relate to the architecture, the way that space is used (single offices, open plan) the way that people dress and interact with each other (power-distance discussed in chapter 2). At this level culture is clear and has an emotional impact however it is not clear why people are behaving in the way that they do. To find this out we need to go to the second level of culture – Espoused Values. Espoused values require inside information from 'informants' in some companies they are encoded whilst in others they are less clearly defined but are recognised by

employees. They may have been developed over a long period of time and they can be influenced by a wide range of factors e.g. organisational history and can be identified in the stories that staff tell to each other and to outsiders. These Espoused values are of major significance to the bank

5.5 Contemporary Problems

During the period 2008 - 2010 the Co-operative bank were seemingly untouched by the banking crisis and in 2009, Co-operative Financial Services and the struggling Britannia Building Society agreed to a merger, with the new "super-mutual" being brought under the stewardship of The Co-operative Group.

In 2012 the Co-operative Financial Services rebranded as the Co-operative Banking Group (CBG). The country was still in recession and there seemed little evidence of any quick shifts back to growth thus CBG had to deal with the same external conditions as their competitors however CBG announced its intention to purchase some 1000 branches from Lloyds Banking Group (LBG) in what became known as Project Verde. The sale of branches had come about as a consequence of the Lloyds/HBOS merger and the deal involved The Co-operative Banking Group paying LBG an initial payment of £350m; with a further £400m between completion and 2027, subject to the meeting of certain performance measures. To fund the initial payment The Co-operative Group planned to issue perpetual subordinated debt (or bonds) of £350m fully underwritten by LBG. The Verde business was expected to have a balance sheet as at 31 December 2013 (estimated by LBG) of around £24bn, with fully matched customer assets and liabilities, leaving no funding gap. It was anticipated LBG will initially provide £1.5bn of equity capital to fund Verde at completion under a standardised capital model. Under an advanced capital model and subject to regulatory approval, the equity capital to be provided by LBG is expected to be in the range of £1.1bn to £1.4bn. LBG were also to provide access to around £500m of (Tier 2) capital – in other words they were both seller and financier, once it part of The Co-operative Banking Group, business would operate separately for a period of time ahead of integration with the existing Co-operative Banking Group business. The combined bank would ultimately operate on a separated

version of the existing proven LBG IT platform which would be managed by LBG, for the enlarged Co-operative Banking Group, on a managed service basis, under commercial market terms. It was anticipated that the earliest point at which the migration of the existing Co-operative Banking systems to the LBG IT platform would begin is 2015. Concerns were raised over this as critics pointed out that as the Co-operative bank had been unable to fully integrate the Britannia business in 3 years and this may prove to be an unrealistic schedule.

(<http://www.cooperativebank.co.uk/customerservices/announcements/recentannouncements/lloyds-banking-group-announcement> accessed 1/6/13)

After signing the heads of agreement on the takeover Peter Marks, the chief executive of the Co-operative Group, joked that in his negotiations with Lloyds' boss Antonio Horta-Osorio on the Project Verde branches' sale he had "got the shirt off his back and his cuff-links". (source <http://www.scotsman.com> accessed 30/5/13)

Soon after this announcement, concerns began to be expressed about the Co-operative banks ability to meet its commitments to LBG and the purchase of the branches. Firstly the bank announced a loss of £674m due predominantly to a mix of bad loans associated with the Britannia merger and there were significant provisions made (almost £250m) with regard to the mis-selling of Payment Protection Insurance in common with all of the major Investor Owned banks. Peter Marks the Chief executive said 'The bank is not immune to the terrible problems impacting the financial services sector' (source The Guardian, Thursday 21 March 2013)

In March 2013The financial regulator said in March that UK banks must raise £25bn of extra capital by the end of the year to absorb any future losses on loans and to ensure adherence the BASEL III accord (see 5.6) .

In May 2013 credit ratings agency Moody's said that the bank 'faced the risk of substantial losses in its non-core portfolio - loans the bank has identified as risky - and the low level of funds it had set aside to deal with them left it vulnerable to losses.' (Source <http://www.cnbc.com/id/100726734> accessed

1/6/13). The agency said there was "moderate potential for systemic support likely to be forthcoming from the UK authorities," to maintain regulatory capital levels – in other words a bail out may be required. That support could also come from the Co-op Group itself, which has gross assets in non-financial operations of £6.3bn and net equity of £4.5 bn.

Moodys lowered the deposit and senior debt ratings of the bank and placed it under review for further downgrades and subsequently downgraded its bonds to junk status. The agency said the Co-op bank's capital levels were low compared with peers. Co-op's core tier one capital ratio was 6.3 percent at the end of 2012, assuming the full implementation of tougher global rules that are being phased in. Britain's regulator wants banks to hold at least 7 percent due to a combination of worsening economic conditions in the bank's main markets and ever increasing defaults from the Britannia takeover.

Moodys said most of the risk on the Co-op's books stemmed from loans it took on via its acquisition of the Britannia Building Society in 2009. Whilst it was known that the Britannia had significant problems with its loans and this was acknowledged in the Moody's report suggested that the Co-operative bank under-provisioned for these losses (source http://www.moodys.com/research/Moodys-downgrades-Co-operative-Bank-on-review-for-further-downgrade--PR_272729 accessed 1/6/13). The downgrade hit Co-op Bank's preference shares, which were trading down 24 percent with almost immediate effect while spreads on the bank's subordinated and covered bonds widened (in other words the bank was seen as a bad risk by investors). Co-op said it would drive through plans to improve its capital position in the coming months.

The CBG said in March 2013 that it would sell its general insurance arm to bolster its finances. Analysts have said that business could fetch as much as 600 million pounds however after much discussion it was decided to restructure this element of the business and to de-merge it from the bank. The bank however did agree to sell its life insurance business to Royal London Mutual Insurance for £220m, however the bank did not need a bailout. "We would like to reassure customers and members that we haven't

sought nor do we need government support," This supported to an extent by the Co-op holding company having significant assets of c£3bn however the implications of this could be significant for the rest of the group and indeed the BBC suggested that the Co-operative group may be considering moving out of financial services and banking all together (source <http://www.bbc.co.uk/news/business-22276390> accessed 18/5/13)

5.6 Basel Agreement

Basel III (or the Third Basel Accord) is a global, voluntary regulatory standard on bank capital adequacy, stress testing and market liquidity risk. It was agreed upon by the members of the Basel Committee on Banking Supervision in 2010–11, and is being introduced from 2013. It focuses on the capitalization of the banking system and in particular the Tier 1 capital ratio which is now recommended to be 7%. Tier 1 capital is the core measure of a bank's financial strength from a regulator's point of view. It is composed of core capital which consists primarily of common stock and disclosed reserves (or retained earnings), but may also include non-redeemable non-cumulative preferred stock. Capital in this sense is related to, but different from, the accounting concept of shareholders' equity. Both Tier 1 and Tier 2 capital were first defined in the Basel I capital accord and remained substantially the same in the replacement Basel II accord. Tier 2 capital represents "supplementary capital" such as undisclosed reserves, revaluation reserves, general loan-loss reserves, hybrid (debt/equity) capital instruments, and subordinated debt. Tier 1 represents the ratio of a bank's core equity capital to its total risk-weighted assets (RWA). Risk-weighted assets are the total of all assets held by the bank weighted by credit risk according to a formula determined by the Regulator (usually the country's central bank). Most central banks follow the Basel Committee on Banking Supervision (BCBS) guidelines in setting formulae for asset risk weights. Assets like cash and currency usually have zero risk weight, while certain loans have a risk weight at 100% of their face value.

Under BCBS guidelines total RWA is not limited to Credit Risk. It contains components for Market Risk and Operational Risk. The BCBS rules for

calculation of the components of total RWA have seen a number of changes following the Financial Crisis.

As an example, if we assume a bank with £2 of equity receives a client deposit of £10 and lends out all £10. Assuming that the loan, now a £10 asset on the bank's balance sheet, carries a risk weighting of 90%, the bank now holds risk-weighted assets of £9 ($£10 \times 90\%$). Using the original equity of £2, the bank's Tier 1 ratio is calculated to be $£2/£9$ or 22%. This became problematic for the Co-operative bank when the calculation of the Tier 1 showed that they had a tier 1 capital shortage which precipitated the turbulence of the period 2013 – date.

If we consider the troubles that the Co-operative Bank suddenly find themselves embroiled in from a sense making perspective we may consider agency theory. Agency theory refers to the division of ownership and control of organizations where shareholders are the owners or principals and managers are their agents (Fisher & Lovell 2009). Agency theory assumes that human behaviour is essentially self-seeking and self-focused and as managers enjoy a privileged control of information over shareholders this manifests itself in decision making that is not always in the shareholders' interest. This was clear in the decisions that the executives of RBS took when purchasing ABN Amro. If we adapt this theory to that of the Co-operative Group and Co-operative Bank, we can see parallels with the takeover and merger of Britannia. The decision to progress with Project Verde might also be seen in a similar light and this project was only halted when it became public knowledge that the Co-operative did not have the funds to proceed and whilst it was initially presented as a very responsible decision and taken in the interests of the stakeholders the subsequent downgrading of the Co-op banks bonds to junk status. Whilst it might be argued that power over an organization lies with its ownership (Kang and Sorensen 1999) the reality is that ultimate power tends to lie with its management and leaders who set the culture and direction. The mis-selling of PPI suggests that the culture of profit maximisation at the expense of customer needs had begun to impact the Co-operative bank. The comments from the Chief Executive that in the negotiations with Lloyds' boss Antonio

Horta-Osorio on the Project Verde branches' sale he had "*got the shirt off his back and his cuff-links*". (ibid) suggests an element of hubris.

The problems of the Co-operative Bank have come as a surprise to most observers. Whilst there was a general understanding that the financial services sector was undergoing difficult market conditions there was a perception that the Mutuals were not subject to the same institutional cultures of excess and bonuses that led to the difficulties experienced by the Investor Owned banks. Whilst it might appear that the structure and culture of the Co-operative facilitates the creation of shared value and this in turn gives insight into how this business model might apply to the wider market, clearly agency theory and a lack of due diligence undermined this. That there are parallels with RBS and Lloyds TSB cannot be denied and so whilst the motives may have been different the end result appears to be the same – the Co-operative bank appears not to have been completely immune to the culture and conditions that saw their larger rivals grow too large and too quickly with inadequate capital.

It cannot be denied that the Co-operative Bank has contributed to development of shared value in the markets and communities that it serves. It has had a significant impact on the development of and awareness of the importance of an ethical approach to business. It has made significant financial contributions to a wide range of organizations and was held in high regard by a very wide range of stakeholders. Government saw it as an important factor in the re-shaping of the banking landscape offering an alternative to the greed and excess of their larger rivals. The fact that the bank has had financial troubles does not necessarily reflect a failure of ethics however it does suggest a failure of governance and due diligence. The bank does however seem to have weathered the storm and as of 2014 the funding has been put in place to ensure the financial stability of the bank and adherence to the BASEL III conditions. Co-operative bank was never in any danger of collapse however even at its worst there was never any sign of a run on the bank – where depositors lose confidence and withdraw their money as was seen at Northern Rock in 2008. Whilst this was not part of the research it would appear that the social capital that Co-op Bank had built in the preceding years was of benefit in the troubled years of 2013 and 2014.

5.7 Summary

The Co-operative bank has had a painful recent experience however the bank has based its values and culture around its ethical banking credentials. The takeover of Britannia proved to be a problematic decision and many of the subsequent problems stem directly from the losses that the bank inherited from Britannia's bad loans. The ethical stance of the bank was impacted by this decision however there was a feeling internally that the failure of due diligence was not a failure of ethics. Of more concern to staff was the revelation that payment protection insurance had been sold improperly in common with the other high street banks. There were some anomalies noted e.g. the view of the bank on the tobacco industry, although guided by their stakeholders, was seen as inconsistent. The sense making process was guided by the ethical policies and the 5 pillars although there was a broader definition of what CSR meant and the importance of individual initiatives was not as clear as in the other businesses in the study

5.8 Key Points from Chapter 5

| | |
|--|--|
| How is CSR interpreted by employees to create meaning? | The bank uses its ethical policy and the 5 pillars to underpin its CSR philosophy and values. In addition the co-operative values are generally seen as being significantly relevant to the bank despite the fact that it is not a traditional Co-operative and in recent times this has been highlighted further with the injection of Private Equity |
| What are the benefits of CSR? | The bank has clearly built significant social capital through its ethical trading |
| How is it defined? | CSR is defined in a hybrid way. There are elements of the newer definition of shared value however it is not seen as being the key driver and the need to behave ethically is more important |
| How is it operationalised to create shared value? | The notion of shared value is not seen as being central. The more traditional view of CSR was noted. There are activities e.g. credit unions where shared value is created however the interviews show that the bank see themselves as first and foremost a commercial bank |
| What is the impact of structure? | The co-operative structure ultimately undermined the bank by allowing unqualified directors to run the bank. This was clearly identified in the Myners (2014) report. That said the staff generally believed that being a co-operative meant that they were closer to customers and that the co-operative values were important |
| What factors impact its credibility? | The ethical policy and the 5 pillars were the key factors. There were some comments suggesting that tensions exist between espoused and enacted values. This was noted in discussions around tobacco manufacturers being seen as unacceptable as customers but retailers such as the Co-operative Retail Group being acceptable |
| What is the role of leadership? | The role of leadership was of less importance than the overall culture of the organisation. Leaders were not seen as being central to the culture which was driven by the ethical policies of the bank |
| What is the relationship with organisational culture? | Culture was seen as being an important part of what the bank stands for. Despite recent difficulties there was a clear belief that the bank had led the way in ethical banking and had played a significant role in furthering the CSR agenda |

Chapter 6: Lincolnshire Co-operative Society (LCS)

6.1 Introduction

This chapter examines in detail the ways that CSR is interpreted by employees of Lincolnshire Co-operative. What they see as the benefits of CSR and how it is operationalized. The impact of structure is considered and the importance of credibility will be considered.

This is the third of three chapters that gives a detailed analysis of the data gathered from the individual domains and case studies considered during this research. As noted in chapter 3 this approach is in keeping with classic multiple-case design (Simons, 2009; Yin, 2014).

The data gathered from Lincolnshire Co-operative is presented and discussed concurrently with appropriate academic discourse within the field of research. A continuation of the adopted research methods established in Chapter 3 will be utilised as data gathered at each of the 3 stages of the final research strategy (see Fig 3.4) will be discussed and analysed. Best practice in case study research suggests (Yin, 2014) suggests that the narrative and analysis be completed in isolation from the other cases (see Chapters in chapters 4 and 5) with a cross-comparison of the data gathered from all four domains being included in Chapter 7 where a review of trends, commonality and differences will result in the final contribution to knowledge. Chapter 3 discussed the issue of validity and reliability. Reliability and validity have been variously defined as trustworthiness, rigour and quality of research (Golafshani 2003, Lincoln and Guba 1985). There are a number of options to increase the reliability and trustworthiness and one such way is peer review. – A research paper was accepted and presented at the Co-operative Conference in Manchester in 2012. An abstract is given in Appendix 6. This process of peer review increases the validity and reliability through the process of peer review for acceptance and direct feedback from conference participants.

6.2 Lincolnshire Co-operative and the Co-operative Movement

By way of introduction a short background and history of the Co-operative movement more generally follows followed by a detailed examination of the role of CSR in Lincolnshire Co-operative and the impact that it has on staff, the ways that the strategy is formulated and understood. The impact of CSR on staff is then explained and clarified and the interpretation of the benefits and importance to employees is considered. The chapter will consider the key themes that come out of the grounded research approach (Strauss 1998) relative to impact, definition and sense making. A justification on the use of LCS as a research domain for this study is offered in Table 3.2. The discussion will focus on the key etic and emic issues and themes identified. The chapter is structured in 3 parts at this point which follow Stages I to III of the final research approach (Fig 3.1) as developed and discussed within Chapter 3 of this thesis (Yin 2014). Final conclusions and overall domain themes and issues are established by the triangulation of the data gathered with the theoretical academic frameworks.

The key objective of Lincolnshire Cooperative Society LCS is to serve the community that it represents and the interviews at all levels of the organisation reinforce this fundamental belief. This core value is a recurring theme of all of the interviews conducted and would seem to underpin all other decisions that are made by the society. This is not to suggest that commercial decisions are avoided – the society is acutely aware of the pillars of sustainability (Carrol 1979) and that without economic sustainability it would not be possible to discharge societal or environmental duties – but equally these elements are as central to the organisational values as the need to make profit.

The structure of LCS is that it is owned by its members and that the members elect a board of board of directors who appoint the Chief Executive who in turn appoints a management team. Each member has a single vote and any member is eligible to stand for election as a director. This means that the board and management team are motivated to ensure that the needs

of the community and the best interest of the membership are fundamental to the organizational goals. This is a significant departure from the Investor Owned Firm (IOF) model that typifies, for example, Alliance Boots. Investor owned firms have a fiduciary duty to their shareholders with their expectations of profit maximization as the key metric of organizational and management success. The need to meet the expectations of the owners is a common theme in both the IOF sector and with LCS – however these expectations are significantly different. In a traditional IOF the owners are the shareholders and whilst in some cases the shareholders play an active part and have an important stake in the business beyond simply the financial – in many cases these owners are more accurately identified as investors or even in some cases gamblers (Handy 2002). LCS in contrast is owned by its members who are members of the local community that is served by the organisation and who have a very real and live stake in the organisation not simply from the perspective of being customers – LCS recycles all of its profits to the local community via community grants, dividends and support for local community activities and being accountable to a board of directors from the local community gives the society a focus on the local community that would not be possible in an IOF.

This local focus is a common theme throughout the research and at all levels of the organisation the importance of serving the local community is a constant theme. This does not negate the need to be commercial and LCS is part of the Cooperative Retail Trading Group (CRTG) which represents all of the UK societies and is responsible for the national buying strategy however the strength of the local focus has led LCS to source a range of local products and to support a sizable number of local suppliers who are not part of the CRTG process but who LCS now deal with. In some cases CRTG products have been replaced with locally sourced with a view to developing and securing a local supply chain. The ability of an international IOF to support such local and long term initiatives is more difficult to envisage (Hingley 2010)

Co-operatives are generally believed to have started in Rochdale by the group now known as the Rochdale Pioneers – however like most histories

this story is part truth and part myth. The myth of Rochdale has to do with twenty-eight impoverished weavers who started a shop in Toad Lane in 1844; a shop that became the first successful co-operative in the world and a co-operative that defined the principles for all later co-operatives to follow. Each of those three points holds an element of truth; however, they are all open to question: that Rochdale was opened by starving weavers, that it was the world's first successful co-operative and that no one had previously defined the co-operative principles. Co-operatives preceded Rochdale by some years for instance the Coventry Co-operative was a successful organization and there are many concrete examples of successful co-operatives prior to Rochdale (Middleton 2011). Many of these were single product co-operatives dealing with flour or coal however there were examples of broader co-operatives such as the Hull Corn Mill Society.

What cannot be denied is the impact that the Rochdale Pioneers had on the Co-operative movement. The labourers who organized the Rochdale Pioneers over 150 years ago were people suffering from the social impact of the industrial revolution. They struggled to survive periodic unemployment, low pay, unhealthy cities, and dangerous workplaces. They had no social benefits—no insurance or health care or pensions from their employers or from the state. They were dependent on merchants who were often unscrupulous, who exploited the helplessness of the poor by selling at high prices, by adulterating goods or by trapping them with offers of credit. The Rochdale labourers faced these challenges in a time and place that they were almost powerless - they had no vote, no democratically elected government to represent them and no state institutions to protect or support them. Their answer to the daunting social problems that they faced was a developing kind of self-help: mutual self-help, in which they would help themselves by helping each other. It was a small start to a large international movement.

6.2.2 The Rochdale Pioneers

All of the Rochdale pioneers were important to the development of the movement, however, William Cooper said in 1866 that the failure of a weavers' strike early in 1844, and the subsequent attempt to form a flannel weavers' production society, were part of what precipitated the formation of the Pioneers. Cooper was an Owenite – which is to say that he followed the doctrine of maverick industrialist and reformer Robert Owen, a movement that provided the origins of socialism, trade unionism, social reform, and co-operation. The 1840s were a bitter decade in Rochdale and many other parts of Europe, associated with poverty, hunger, and unemployment – indeed historians have dubbed 1848 as the year of revolution throughout Europe. No group was more desperate than weavers. However, the role of weavers in setting up the Rochdale Pioneers has been exaggerated by many casual writers.

A close reading of the founding documents shows that weavers made up a large proportion of the first list of subscribers who supported the creation of the Pioneers. However, by the time of the founding meeting on 15 August 1844, many of the weavers had dropped out—perhaps because they were too desperate or too destitute to invest time or money in a co-operative venture. The creation of the Pioneers may be better seen as a kind of partnership between a group of Owenites, the weavers, some ex-Chartists, and some temperance campaigners (Bonner 1961). Of thirty names of identifiable founding members, fifteen were Owenite socialists, including many of the leading activists in Rochdale. Only ten were weavers. Arnold Bonner suggests that most of the founding members were not starving and desperate, but were “comparatively well-paid skilled artisans... Idealism, the vision of a better social order, not hunger, inspired these men... There is sometimes a tendency, perhaps an inclination, to forget that the Pioneers commenced business with the purpose of pioneering the way to a new and better social order.... Without an ideal there would have been no Co-operative Movement.” (Bonner 1961)

The founders of Rochdale were of course poor compared to their social superiors. They lacked real economic or political power, or high social status. And the poverty and misery surrounding them in Rochdale were undoubtedly

a large part of their motivation for creating a co-operative. It is, therefore, reasonable to say that the forces of poverty and need inspired the formation of the Rochdale co-operative. But they did so somewhat indirectly, mediated by the agency of idealism and critical social thought, and by the activists of Owenism, Chartism, and other social movements. Owenism, named after maverick industrialist and reformer Robert Owen, was a philosophy that lay at the origins of socialism, trade unionism, social reform, and co-operation, in a day when these ideas were not distinct from one another. Perhaps Owen's key social criticism of his age was that workers were denied the full value of their labour, toiling in poverty for the profit of others. Owen had no high opinion of the moral and cultural values of the poor, but saw economic and educational improvement as essential for creating a better population. In order to capture more of the value of their labour, Owenite workers banded together to form associations for mutual aid and education. They aimed to increase wages by collective action and by starting their own worker-owned enterprises; they aimed to raise the standard of practical education—and by practical they meant especially knowledge of politics and economics—through libraries and courses; and they aimed to extend workers' purchasing power through co-operative buying. Owenites were active in Rochdale in the 1830s, and in 1838 an Owenite branch was formed which took over a pub, The Weaver's Arms, and set it up as "The New Social Institution," a centre of Owenite activity. Owenite speakers gave lectures every week. One visitor noted that Rochdale stood out in its Owenite zeal: "Almost every night in the week is devoted to the cultivation of the mental and moral faculties. "Moreover, at the time the Rochdale Pioneers were founded, the last great Owenite community project at Queenwood was underway, and the struggles and debates related to Queenwood probably energized the Rochdale Owenites in their efforts to bring about the creation of a new co-operative association. Briefly, one of the issues at Queenwood was the ability of the Owenites to pursue their ideals regardless of Owen. The reaction of activists against Owen's meddling did not save Queenwood, but it energized a number of experiments like Rochdale that Owen would not have sanctioned. The Owenite movement had struggled to find its own dynamism independent of Owen's grandiose and poorly guided projects.

The Rochdale Pioneers did not rise spontaneously from need, but were organized consciously by thinkers, activists, and leaders who functioned within a network of ideas and institutions. The same can probably be said of all successful co-operatives in all times and places: they arise from need—when some activists, institutions, or agencies consciously promote and organize them. Also, while co-operatives have frequently been tools for the relatively poor or marginalized, there is evidence that (just as in Rochdale) they are rarely led by the very poorest.

The founders in 1844 were looking for a mutual self-help organization that would advance their cause and serve their social objectives through concrete economic action. They called their new association the Rochdale Society of Equitable Pioneers, a name that rang with overtones of Owenism.

“Equitable” had been one of Robert Owen’s favourite words—as in his plan for Equitable Labour Exchanges that would allow workers to exchange goods and services directly with each other, bypassing employers and middlemen. To Owenites, “Equitable” signified a society that would eliminate capitalist-style exploitation, and that would exchange goods and reward labour fairly according to Owen’s ideas. The word “Pioneers” might have been inspired by the newspaper *The Pioneer*, which had been the organ first of the Operative Builders’ Union, an early trade union, and later of Owen’s Grand National Consolidated Trades Union. To choose a name like “Equitable Pioneers” in 1844 was a social and even political statement, and

The Rochdale Pioneers first codified their principles of Co-operatives in 1844 and although they were not technically the first Co-operative they were the first to explicitly codify the principles in what has now become known as the Rochdale Principles. These principles were unique in that they were not the norm

Rochdale Practices

The pioneers Principles were radical for their time (see table 6.1)

Table 6.1. The Rochdale Principles

The present Co-operative Movement does not intend to meddle with the various religious or political differences which now exist in society, but by a common bond, namely that of self-interest, to join together the means, the energies, and the talents of all for the common benefit of each

1 That capital should be of their own providing and bear a fixed rate of interest.

2 That only the purest provisions procurable should be supplied to members.

3 That full weight and measure should be given.

4 That market prices should be charged and no credit given nor asked.

5 That profits should be divided pro rata upon the amount of purchases made by each member.

6 That the principle of "one member one vote" should obtain in government and the equality of the sexes in membership.

7 That the management should be in the hands of officers and committee elected periodically.

8 That a definite percentage of profits should be allotted to education.

9 That frequent statements and balance sheets should be presented to members.

(Source Bonner 1961 p 48)

These principles have been modified over time however co-operatives are still democratic organizations, owned and controlled by their members and

they are defined by their mutual approach and are governed by the controlling values of the Rochdale Pioneers, redefined by the International Co-operative Alliance (ICA 2013) as seven principles of co-operation (Novkovic 2008, Hingley 2010). These are: 'voluntary and open membership; democratic member control; member economic participation; autonomy and independence; education, training and information; co-operation among co-operatives; and concern for community'

The most recent interpretation of the founding principles come were given by the International Co-operative Alliance in 2013 (ICA 2013) and interpret the original Rochdale Principles into seven elements

Table 6.2 ICA Principles

| |
|---|
| <p>1. Voluntary and Open Membership</p> <p>Cooperatives are voluntary organizations, open to all people able to use its services and willing to accept the responsibilities of membership, without gender, social, racial, political or religious discrimination.</p> |
| <p>2. Democratic Member Control</p> <p>Cooperatives are democratic organizations controlled by their members—those who buy the goods or use the services of the cooperative—who actively participate in setting policies and making decisions.</p> |
| <p>3. Members' Economic Participation</p> <p>Members contribute equally to, and democratically control, the capital of the cooperative. This benefits members in proportion to the business they conduct with the cooperative rather than on the capital invested.</p> |
| <p>4. Autonomy and Independence</p> <p>Cooperatives are autonomous, self-help organizations controlled by their members. If the co-op enters into agreements with other organizations or raises capital from external sources, it is done so based on terms that ensure democratic control by the members and maintains the cooperative's autonomy.</p> |

5. Education, Training and Information

Cooperatives provide education and training for members, elected representatives, managers and employees so they can contribute effectively to the development of their cooperative. Members also inform the general public about the nature and benefits of cooperatives.

6. Cooperation among Cooperatives

Cooperatives serve their members most effectively and strengthen the cooperative movement by working together through local, national, regional and international structures.

7. Concern for Community

While focusing on member needs, cooperatives work for the sustainable development of communities through policies and programs accepted by the members.

Source ICA 2013

6.3 Lincolnshire Co-operative

Lincolnshire Co-operative (LCS) grew out of this burgeoning social movement and trading began at 1 Napoleon Place, Lincoln, in September 1861. By the end of the first quarter, there were 74 members and the dividend was 9d. Lincolnshire Co-operative can trace its roots back to the committed Methodist and secretary of the Temperance Society Thomas Parker who formed the society at the time when Co-operatives were in their infancy. Parker saw co-operatives as the best way to ensure the necessary improvements in the lives of his peers, his fellow workers and the less privileged in society (Middleton 2011). Parker and the son Joseph Watson the former manager of a Co-operative flour mill managed to acquire a copy of the Rochdale Pioneers rules and almanac as well as from a range of other

successful Co-operatives to draw up the founding principles of co-operation and how they might be applied to a successful co-operative in Lincolnshire.

This history plays an important part of the LCS narrative. Part of the induction process in the organizations involves ensuring that staff understood the history of both the society and the movement more generally. There is a strong sense that the values of both the contemporary organizations and the historical values of both LCS and the co-operative movement more generally are fully understood by staff and that managers and leaders are seen to visibly model these values. The values of LCS are a direct translation of the ICA Principles.

LCS now have over 200 outlets, employing c 2,700 staff can boast over 205,000 members from a county of under 719,000 and in 2010/11, the dividend pay-out to members was £4.8m. (source Lincolnshire Co-operative 2012, ONS 2012). Whilst this level of membership is slightly higher than the average at 29% of the population as opposed to a national average of 24% (Coop 2013) this is due, in part, to the isolated nature of much of the county of Lincolnshire and the fact that in many of the more rural parts of the county LCS is the only retailer. The level of engagement is not at a level where LCS would be seen as atypical. In 2013 Lincolnshire Co-operative had a turnover of £288 million from arrange of divisions comprising of Food stores and retail (including petrol stations), Pharmacy, Post Office services, Funeral Services, Travel and Property Services. All members of staff automatically become members. This is both desirable in terms of meeting the Societies objectives of increasing membership but also pragmatic and practical as the LCS IT system is a single system that requires membership to gain access to as it is on the same platform as the members web access.

Johnson (2009) categorises Co-operatives into three groups. Consumer Co-op - providing consumption goods at the best price and value making income go further and these can include retail, housing, utilities, health, leisure, financial services

Producer Co-op – these co-operatives enable self- employed workers, small organisation and family businesses to gain the strength needed to survive in the market and these can include shared services, retailers

Worker Co-operatives - these offer what the ILO calls 'decent work' (ILO 2014). These kinds of co-operatives can include a range of organisations from labour only co-operatives to large complex organisations. A worker cooperative is a business entity that is owned and controlled by the people who work in it. Worker cooperatives thrive in many industries and regions (Wilson 2012). In a worker co-operative workers own the business together. Decisions are made democratically by the people who do the work (usually following the principle of "one worker, one vote") instead of by one person or group people that holds all the power. Worker-control can take many forms depending on the size and type of the business. In the UK the John Lewis Partnership is a high profile example of a worker co-operative.

LCS is constituted as a Consumer Co-operative as it has as its largest business division the retail arm selling a range of food and related goods in its stores throughout Lincolnshire and Newark. Newark is geographically in Nottinghamshire however the co-operative borders are slightly misaligned with the regional political boundaries in this instance.

LCS is part of the Co-operative movement and is one of some 20 societies that make up the national Co-operative group. LCS is an independent part of the national group and although it is aligned in many respects and is part of the Co-operative Retail Group where the majority of supply chain management occurs in the food retailing business (Hingley 2010). Despite this LCS retains its independence and unlike other local co-operatives has taken up a position of political neutrality since the 1980s (Middleton 2011).

LCS has a set of values that are codified and explained in table 6.3

Table 6.3 Lincolnshire Co-operative Ethical Principles(source Lincolnshire Co-operative 2013)

| | |
|----------------|---|
| Local Sourcing | The 'Love Local' programme aims to ensure that local suppliers are favoured where possible. LCS deal with a wide range of local suppliers including Dennett's ice-cream and honey, Myers of Horncastle for Plum Loaf and Tea Bread, Lincolnshire Poacher Cheese and Curtis' meats, free range local eggs and a range of local beers and ales. |
| Fairtrade | LCS introduced Fairtrade products I 1992 and since then have seen them grow to their current level where LCS offer their won branded fair trade products. In 2003 all own branded coffee was made Fairtrade soon followed by own brand tea. LCS champion Fairtrade and promote it in schools and the community through the Fairtrade fortnight activities. |
| Community | The community champion's scheme forms an important part of LCS's community initiatives. Local stores nominate local causes and every time a members shops at the store using their membership card, money is donated to the cause. In addition LCS members nominate a charity of the year who the society works with throughout the year. These have included MacMillan cancer support, Lincs and Notts Air Ambulance and Help For Heroes. LCS run a volunteering programme where staff are given 2 days per year to volunteer using their skills to impact the local community – working on community projects or acting as school governors. LCS's volunteering programme won a Business in the Community award (see chapter 2 section 2.9.1). LCS further support education in the local community where they have developed a set of learning materials for schools that they will also deliver to pupils using suitable qualified staff. There programmes combine national curriculum subjects such as mathematics with social and health education themes such as healthy eating and Fairtrade. |
| Environment | LCS has several sets of KPIs monitoring energy usage, |

| | |
|----------------------|--|
| | recycling and renewables. They financially support energy saving initiatives and monitor all energy usage within their buildings and within their sphere of influence to reduce carbon usage. LCSs work in this area has been recognised by the Carbon Trust |
| Family of Businesses | LCS run a range of divisions as noted previously. The largest division is retail (food and non-food) however pharmacy, funerals, pharmacy wholesale, travel and their 40 post offices are all important business divisions. As per the ICA values of co-operation amongst co-operatives (table 6.2) all divisions try to encourage customers to interact with other divisions where possible |

In addition to the principles of business and the co-operative principles LCS promote their 3'e's theme – the 3 'e's (3es) provide a guide to staff and they are an abbreviation of Exceeding Everyone's Expectations. The 3es are positioned as an aid to success in delivery of employees' jobs and are generic enough to be relevant to all staff. Underpinning the metaphor of Exceeding Everyone's Expectations are a set of skills, competencies and behaviours. These are:

Communication Skills, Co-operative Difference, Customer Care, Motivation and Initiative, Planning and Organising, Teamwork and Support. Managers have an additional two themes – Continuous Improvement and Leadership.

6.4 Methodological Approach and the Case

As was discussed in Chapter 3 the methodological approach to building the case study was that of grounded theory. Lincolnshire Co-operative can be seen as a typical case study (Yin 2014) of a large local consumer co-operative. As outlined in chapter 3 interviews were carried out over a 7 year period (2007 – 2013) to give a longitudinal study of the staff's understanding and perspectives on CSR. The research was carried out in two phases – phase one involved a series of interviews with head office and divisional staff between 2008 and 2010 repeated between 2011 and 2013. The sampling

strategy was that of purposive/theoretical sampling to ensure that a representative sample was achieved and interviews were carried out until saturation (Corbin & Strauss 2008). In standard qualitative research saturation is seen as the point where no new data emerges however in Grounded Theory saturation is more than no new data *'it also denotes the development of categories in terms of their properties and dimensions including variation, and if theory building, the delineating of relationships between concepts'* Corbin & Strauss 2008 p143. The theoretical sampling is similar to purposive sampling the purpose is *'to collect data from places, people and events that will maximize the opportunities to develop concepts in terms of their properties and dimensions, uncover variations and identify relations between concepts'* Corbin & Strauss 2008 p143.

The initial samples came from the LCS head office in central Lincoln and from a mix of staff from the divisions. Due to the relative sizes of the divisions there were more staff from the Food store division than from the others.

The staff ratios for the first intervention were:

Retail – 14 staff, Head Office and Property 9 staff, Travel 2 staff, Bakery – 2 staff Pharmacy 3 staff, Petrol retail 3 staff and Funerals 2 staff.

Full access to staff was given and by discussion with various managers the group resulted in abroad sample who were representative of the staff body as a whole. Saturation was reached with this sample so whilst it would have been possible to increase the numbers of interviews carried out saturation made this unnecessary.

From 2008 onwards the UK economy went into its deepest post war recession with six consecutive quarters of negative growth and all sectors were impacted especially the retail sector (Campos et al 2011) This led to uncertainty and to job losses in most organisations and in 2011 the second phase of interview took place. The second iteration employed a smaller group as although trading conditions had changed significantly LCS still employed the same level of staff and the turnover had grown every year except for a very small 0.7% drop between 2011 and 2012 which was more

than compensated for by a 2% increase in 2012 -13 (Lincolnshire Co-op 2013). This meant that LCS had managed to retain its size and staff numbers (around 2700) over the course of the recession. This had an impact on the second round of interviews where significantly fewer were required before saturation was reached as the business had changed very little in the intervening years and most of the staff had remained constant over this period. As a result of this all of the interview themes have been combined as no new themes or comments were identified with the exception of several new open codes that were identified when the data was disaggregated. Once meaning was derived from these open codes (Strauss & Corbin 1998) they were subsumed into the axial codes as they reflected the cycle that the economy generally had undergone and were not directly relevant to the ethical values or CSR activities that related specifically to LCS. As was discussed in chapter 3 section 3.8 whilst there was no material changes in the themes over the time sequence the use of a range of divisions that could be treated as discrete cases in their own right adds to the validity of the study (Eisenhardt 1989 Yin 2014).

Table 6.4 below summarises the key themes from the interviews

Table 6.4 Key Themes and Selective Codes

| Selective Code | Finding | Illustrative Quotations |
|--------------------------------------|---|---|
| Creation of Meaning and Sense making | <p>The management team see themselves as having an important role to play in explaining the values and helping the sense making process</p> <p>The 3Es are used as both a metaphorical tool and as a concrete object however the values around meeting the expectations of members (both internal and external) is more powerful in the sense making process.</p> | <p>Education is such a fundamental part of what we do and education in the LCS way is in our DNA. We have posters telling our values – which are around the local community and the co-operative movement and the importance of the 3Es (Manager)</p> <p>I use the 3es as the main way of understanding what is important – but I also speak to my manager and we get regular updates sent through so that we know what is important. It really comes down to serving the community both our internal and external communities (Pharmacy Staff)</p> |
| Definition | <p>The concept of creating shared value for LCS, its members and the wider community is the key driver of what might be termed CSR. LCS do not use this terminology as they view CSR as being an integral part of their values.</p> | <p>CSR is simply about working with our communities to make sure that they are in a better state tomorrow than they are today. That includes all aspects of what others see as the Corporate Social Responsibility and the Triple Bottom Line (Professional Staff Member)</p> <p>The 3es gives people a set of behaviours that should form the basis of our values. I'm not convinced that CSR is an issue for us. It is not an addition it is what we have always done – all the way back to the pioneers.(Customer Service Staff)</p> |
| Activities and Focus | <p>Affiliation and integration (see section 6.4.3) have much relevance for LCS</p> | <p>As a healthcare worker the key initiative is either healthy habits (or the healthcare fund, or they are both key. They are also linked to my professional ethical code so I think that makes them even more alive and real to me (Pharmacist)</p> |

| | | |
|-------------------------------|--|---|
| | | We do not run projects – it's part of our whole philosophy and who we are. Private businesses run projects to make themselves look good we don't – what we do is about creating better communities (Head Office Support Staff) |
| Beliefs | Links in to the National Co-operative are important but the members are the priority for staff | We are part of the Co-op group but we are an independent part – in fact we are fiercely independent. That is not because we do not feel part of the group or movement but because we are our members and we believe that we can best serve their interests as an independent co-op (Manager) |
| Paradigms and Shared Value | Creation of Shared Value takes precedent over individual initiatives | We make a profit so that we can use it to develop the community. We don't have shareholders so we make profits to re-invest in the community. Even our dividend comes back and we measure it – have you heard of LM3 – we use that |
| Structure and Configuration | Staff see that being a Co-operative has significant importance to them | I think that we are all aware of the importance of being a co-operative. The co-op values and principles are embedded in what we do – if we were not a co-op this would not be the same |
| Business Case and Measurement | There are quantifiable measures however qualitative measures are equally used | We can calculate the impact of every £1 spent with us on the local economy. It is not just financial measure that we use. In many ways the financial measures are just indicators – important indicators as if we do not make a profit we do not have a society – but it is not just about money |
| Culture and Leadership | Leaders Model the Way and give a clear understanding of the what the culture should be | We have to give a lead to all of our staff. We can't say you do this if we are doing something different. We need to lead by example. We might not get it right all the time but I think that the staff see that we are trying and they appreciate it Ever since (member of senior management team) joined I feel that the values and principles are clearer and we can see them being lived and they are not just something on the wall |

6.4.1 Creation of Meaning and Sense making

Lincolnshire Co-operative has a set of values, a mission and through its 3e programme it has a set of guidelines for staff to understand what it expects in terms of their behaviours and the way that they add value and interact with stakeholders. The process that staff go through to make sense of these is more simplistic in LCS than in many other organisations. Most organisations have a process where meaning is derived from a range of internal communications in an attempt to exert a form of control over the sense making process and in order that the dominant culture is controlled and is to the best interest of the organisation – so the organisations seeks to influence the paradigm (Johnson 2011) and this takes place through a process of sense-giving (Gioia & Chittipeddi, 1991, Miles 2012)

Sense-giving means to influence the sense making and meaning construction of others toward a preferred definition of organizational reality (Gioia & Chittipeddi, 1991). Leaders and managers often engage in sense-giving behaviours when ambiguous or complex issues arise or when events involve numerous stakeholders (Maitlis & Lawrence, 2007). This process can be seen in many organisations and whilst there is evidence of it in LCS via initiatives such as the 3'e's this is a much less overt process than is often seen in larger organisations however the 3es are more of a customer service mantra than a sense making framework and whilst the behaviours and competencies that support it might be viewed as an attempt by management to influence the sense making process there was no evidence that staff felt this to be the case.

'I went on a training course about the 3es – it was really good because it explained what they mean but I found some of the parts more relevant than others. I liked the co-operative difference. I think it is important because as well as working here I am a member as are almost all of our customers.'

Food retail store worker

Of far more importance from a sense making perspective and from the creation of understanding was a much simpler message that the Society underpins all of its activities with – that of serving the local community. The local community is central to everything LCS does

'I use the 3es as the main way of understanding what is important – but I also speak to my manager and we get regular updates sent through so that we know what is important. It really comes down to serving the community'

Dispensing Manager

The notion of community is a core value of LCS and the fact that such a high percentage of the Lincolnshire population are members of the Society as are all members – as was noted in section 6.3 staff cannot gain access to the system without becoming members. As we saw in Chapter 2, from a sense making perspective Maitlis (2005) described four different forms of organizational sense making (see Chapter 2.11.1) based on two criteria, animation and control. Animation is linked to the degree to which individuals are engaged in sense making and Control refers to the extent to which the organisation or its leaders are involved in influencing the sense making process. Maitlis (2005) categorises four types of organizational sense making (1) guided (high animation and high control); (2) restricted (low animation and high control); (3) fragmented (high animation and low control); and (4) minimal (low animation and low control). The sense making process in LCS would appear to be guided as organisational leaders provide clear guidance as to the importance of the co-operative principles and the LCS values around serving the local community (Maitlis 2005 p 32) whilst the staff seem to be fully engaged in the process. There is a level of consistency in the understanding that is constant throughout. The research would suggest that this is due to simple order generating rules (MacIntosh 1999) that provide the foundations for change and form part of the narrative that contributes to the sense making process. These simple rules are anchored to symbiotic relationship between LCS and the wider Co-operative movement and in particular to the ICA (2013) update of the founding principles as outlined in table 6.2. These values and principles are widely understood and each element is either measured or promoted within LCS. The more important

elements were identified in both the open and axial coding process and are most closely aligned to:

Democratic Member Control, Members' Economic Participation, Autonomy and Independence, Education, Training and Information and Cooperation among Cooperatives. However it is clear from the research that the key principle for LCS links to Concern for Community and LCS translate this as Concern for the Local Community. This makes the sense making process and the understanding of the LCS priorities a much simpler process than might otherwise be the case.

This suggests that in terms of symbolic interactionism as discussed in chapter 2.12 the ICA Co-operative principles have taken on the form of an object (Blumer 1969 p68) in the sense making process. Blumer (1969) suggest that the nature of the object is *'constituted by the meaning it has for the person or persons for who it is an object'* (p69) The ICA principles might now always be fully known and this gives them meaning in two ways. Firstly they are a physical object in that they exist and can be held, read and understood but they are also abstract objects in that they also represent a metaphor for what it means to be a Co-operative. This is evidenced by the fact that every member of staff spoken to was aware of the Co-operative principles and knew that they formed the cornerstone of the LCS values however often they were unable to list them. This suggests that they use the Principles as both an overarching set of values and as a symbolic metaphor. This in turn underpins their view on CSR as can be seen in table 6.2 as the principles help staff to understand the levels of affiliation and integration of any of the initiatives

6.4.2 Definition

At first sight the definition of CSR by LCS is a relatively unimportant theme as LCS do not consider themselves as engaged in CSR as a theme

'We don't practice CSR – it is who we are and it is such an important part of what we do that it is not CSR it is DNA'

This is not to say that definitions cannot be implied or indeed that an underlying definition is not applicable

'CSR is simply about working with our communities to make sure that they are in a better state tomorrow than they are today. That includes all aspects of what others see as the TBL' Pharmacy Dispenser

If we consider the definitions given in Chapter 2 table 2.2 then clearly the notion of discretionary activities (Carroll 1999) are not applicable to LCS as they are clear that it is an important part of the organisations identity and not any form of add on. Equally Drucker's (1984) notion of enlightened self-interest is problematic as LCS does not seek to exploit societal problems to create jobs and wealth – they seek to pre-empt and solve problems in order that they will not impact the community. Drucker did not suggest that organisations should cynically exploit societal problems however nor did he suggest that it is the responsibility of business to pre-empt them which LCS would suggest to be the case

'I don't know about CSR but for us it is about local community work. We are part of the community so are our members' Customer Service Assistant

The EC (2001) definition of 'Integration of social and environmental concerns on a voluntary basis' that applied to Boots seems too limiting however the Porter definition of Shared Value

'.... policies and operating practices that enhance the competitiveness of a company while simultaneously advancing the economic and social conditions in the communities in which it operates' Porter & Kramer 2011 P66

This more closely reflects the LCS definition. Porter's language is that of the Investor Owned Firm and LCS may feel it requires some modification to be applicable however this definition would seem to be far more applicable than the traditional view of CSR that sees it as an outside-in approach (Jonkers 2007). The traditional views of CSR are premised on managing external factors and limiting externalities whilst LCS seem to adopt an inside - out strategy grounded in the identity and underlying values of both LCS and the Co-operative movement. Jonkers suggest that these values will underpin

the organisations mission and that from this is likely to stem a *‘leading mission based on historical ‘roots’ interwoven with corporate values.’* (Jonkers 2007 P.16). The historical roots of LCS and the wider Co-operative movement play a significant role in the identity and definition of the CSR activity of LCS.

‘I’m not convinced that CSR is an issue for us. It is not an addition it is what we have always done – all the way back to the pioneers.’ Head Office Manager

The Co-operative principles are important to LCS and to its staff and whilst many staff members may not be able to list them all accurately they are all aware of the core values that they represent – especially the principles and values connected to Voluntary and Open Membership, Democratic Member Control, Members’ Participation, Education & Training, Cooperation among Cooperatives and above all Concern for Community. These principles give LCS staff the dominant narrative that allows them to operate without a formal definition of what it mean to be a socially responsible organisation or for an explicit definition to be necessary.

6.4.3 Activities and Focus

The activities and focus of LCS are members and local community. This does not mean that other stakeholders are marginalised – all staff are members and as such are fully involved in decisions and in the process. Figure 6.1 shows the CSR activity Matrix form (Fig 3.2 Chapter 3) we can see the key activities and focus. The diagram reflects the degree to which the activity might be seen to be aligned to the organisational mission and values (integration) and those where the employees feel a strong sense of identity with the cause (affiliation), even though it might not be strongly aligned to the organisational mission e.g. one off television appeals. This does not mean that LCS has an isolationist view of CR or an insular view of activities. Fairtrade is a major theme for the organisations and there is a sense of being at the forefront of Fairtrade in Lincolnshire. LCS

Table 6.5 Comments linked to Activities

| Strategic CSR comments | Relevant Activities comments |
|---|--|
| <p>If we take something like Fairtrade that is recognisable – coop was the first to introduce FT products others have introduced it and because of the size they do more sales in those lines but they do not necessarily treat them the same way we do putting not just the cash back as sales from the product but going back to the root of where that products have come and giving to that community</p> <p>we've put Jenny and another of our local suppliers together so that they can purchase some of their ingredients together so that they can both get a financial gain but also in a cooperative way of working together. That's a clear one. So not only are we helping them out, increasing their purchasing power and using our knowledge and experience but we are developing the cooperative message as well – and possible another example is one that hasn't become a supplier but I'm the local contact and get enquiries from local producers who are not ready to take the step at this stage but who want advice and so we do that – it's free and we use that time to look at their packaging or how they are going to get the stage of being big enough and get in to a chain</p> <p>Education is the key to a healthier community so we invest time and money in it</p> | <p>We invest heavily to regenerate the area. We have formed partnerships with the University, the council and we were very involved in the Epic centre so we do believe that our responsibility to the local economy is more than supporting causes – we are building sustainable infrastructure</p> <p>Long terms we need to be able to make the county a place where people want to live and work. That is what we mean by a sustainable future</p> <p>We are at the forefront in honest labelling, we don't by law have to give all the information, but we tell our customers because it's the right thing to do</p> |

| | |
|---|--|
| <p>We consider ourselves to be at the forefront of ethical retailing. We were at the forefront of fair trading – everyone else might be catching up but we were at the forefront on it.</p> | |
| <p>Cause Related comments</p> <p>The Charity of the Year is a great idea. It is not always one that I would have thought of but it is always a good idea and having a single focus means we will have a better impact on it. There is always some sort of local aspect to it – even if it is a national charity they will operate in Lincolnshire somewhere.</p> | <p>After Profit Activities comments</p> <p>Sometimes we will simply make a donation because we can – and that’s good but really we are about sustainability</p> |

Where possible LCS try to combine activities to maximise benefits

‘The great thing about Fairtrade is that we go into schools to talk about it and this means that we engage with school kids from an early age. We can then talk about what it means to be a co-operative and introduce some of our learning packages. It also means that staff engage with schools and can lead to volunteering and people becoming school governors’ Head Office Manager

This form of ‘benefit stacking’ adds considerable value by linking different elements of what might be seen as the CSR value chain. Benefit stacking simply refers to the deliberate maximisation of benefits to all stakeholders and could be defined as a deliberate process of adding value to as many activities as can be connected.

6.4.4 Beliefs

In common with most constituent members of the Co-operative group, history and the stories and narrative that accompany being a Co-operative are important parts of the LCS story

'We have been around since 1861 so during that time we have built up an understanding of the community that means we are seen by them as much more than just a local employer – we are part of them' Head Office manager

The links back to the Rochdale Pioneers are constantly reinforced however within this there is a clear feeling that LCS is independent, in fact the sentence fiercely independent was used on several occasions. This could suggest that there are tensions between the two bodies however the two have always had a very close relationship

'LCS is independent with its own membership but we are part of CRTG (coop retail trading group) it's our buying group so our whole supply chain relies on them so every single coop in the country is a member of the buying group. We pay a buying levy to be part and in return there are a whole group of buyers in Manchester that do all of the negotiating with all of the companies. There is no way that a small independent could do the type of deals with the coca colas of this world that the buying group can.' Supply Chain Manager

This relationship extends to the Chief Executive of LCS having been appointed in 2013 as Chair of the Board of the Co-operative Group during a period of extreme turbulence.

6.4.5 Paradigm and Shared Values

Johson et al (2011) suggest that the paradigm is the set of assumptions shared by all staff in an organisation and that they are reinforced by a range of additional factors factor of the cultural web of the organisation. This web consists of the stories, symbols, rituals, systems and structures (power, control and organisational) that underpin the organisation. In LCS these are transparent and are discussed by all staff.

Stories – these are an important way of telling people what is important and they are used to reinforce the dominant narrative the LCS is an independent C-operative but a willing and active member of the wider co-operative

movement in the UK and further afield. There are a range of stories around helping the local community – not only in a charitable way but in very practical ways

'we can look at a local supplier and try to find ways to ensure we are working with them not just purely business but what we can do to help- so for example we have vehicles going out all over the county – can we help with your distribution? They are saving on food miles and their diesel costs. We have taken on Bluebell brewery at Spalding and we have a storage centre in Whaplode so we bring their product to our distribution centre when we are coming back. So that lets them look at their costs and get a little more competitive as they did not have all of the costs that they thought they were having to put into the business our vehicles will back haul from some suppliers, I can see it working at a local level.'

Additionally there are a range of stories from the volunteering projects and from the impact that going into schools to discuss fair trade have. Stories are also used as a warning to tell staff about the ways that CSR can be manipulated and to ensure that perceived bad practices are highlighted and exposed.

'as part of a programme that I was on we had a visit to Experian the credit rating agency. They have a department set up purely to win CSR awards – that is all that they do. That is not CSR that is just cynical brand management'

Rituals and symbols – the most important rituals and symbols for LCS are the dividend and the dividend card. They are symbolic as the dividend symbolises the co-operative ethos of benefitting members and of the reward reflecting the level of participation. 'A co-op is owned and democratically controlled by its members. The members are the main people who benefit from the business' (LCS 2014) The dividend is announced at the AGM every year (an important ritual for LCS). Other symbolic elements of the LCS cultural web are the dividend card (which replaced stamps in the 1990s) and their community funds that are central to the espoused ethos. Other rituals are the training programmes open to all staff and the annual managers'

conference. Other elements of the web can also have symbolic importance – so for instance the fact that customers are often referred to as member has symbolic importance as it changes their status from customers to owners and this impacts their status and importance.

The organisational structure is considered in more detail in 6.4.6.

The concept of shared value has been defined as policies and operating practices that enhance the competitiveness of a company while simultaneously advancing the economic and social conditions in the communities in which it operates (Porter & Kramer 2011). Shared value creation focuses on identifying and expanding the connections between societal and economic progress. The concept rests on the premise that both economic and social progress must be addressed using value principles. Value is defined as benefits relative to costs, not just benefits alone. Value creation is an idea that has long been recognized in business, where profit is revenues earned from customers minus the costs incurred. However, businesses have rarely approached societal issues from a value perspective but have treated them as peripheral matters. This is clearly not the case with LCS

'We are responsible to the community and in many ways for the social fabric of that community – in some areas our shop is the community lifeline. Without it would there be a sustainable community – maybe but it would be significantly diminished'

Shared Value suggests that organisations can create economic value by creating societal value. There are three distinct ways to do this: by reconceiving products and markets, redefining productivity in the value chain and building supportive industry clusters at the company's locations. Porter suggests that each of these is part of the virtuous circle of shared value; improving value in one area gives rise to opportunities in the others.

LCS is active in all three of these areas. Firstly it reconceives products and markets by seeing its customer as a member of the society. It also identifies its market as the local community and not by the usual socio-demographic

segments. This means that all stages of the LCS value proposition is linked to the development of the local community and whilst there is a clear understanding that all activities are premised on commercial success the financial rewards of this success are used to improve the local communities.

'I think that for me it means looking after the local community – after all they are the members and that means they are the owners. We work with schools and the local community to volunteer'

LCS redefines productivity in the value chain in a number of ways. In their supply chain they actively promote and support local businesses. LCS is part of the national Co-operative retail group (CRG) however they support local businesses that, for reasons of security of supply chain, would be unable to contract with the CRG category managers. Further LCS actively support fledgling local businesses with access to the LCS logistics and distribution operation

'We bring their product to our distribution centre when we are coming back. So that lets them look at their costs and get a little more competitive as they did not have all of the costs that they thought they were having to put into the business'

Finally the building of supportive clusters at the company's locations is very clearly being met by the support and partnerships being built with the University. In 1995 the board of LCS was authorised to make contributions of up to £1million over a 10 year period to support the University's move from Hull to Lincoln. This has transformed the city by increasing economic activity bringing jobs and creating a talent pool for Lincolnshire of graduates. This partnership has led to the 2012 announcement of a £14million collaboration between LCS and the University to set up the Lincoln Science and Innovation Park (<http://www.lincoln.ac.uk/news/2012/08/544.asp>). In addition to these LCS support a range of other local businesses, charities and social enterprises through its healthcare, development and education funds.

Porter suggests that *'The concept of shared value resets the boundaries of capitalism. By better connecting companies' success with societal*

improvement, it opens up many ways to serve new needs, gain efficiency, create differentiation, and expand markets.'

Shared value blurs the line between the Investor Owned Sector and the non-profit sector a segment that LCS is viewed by their staff as their natural sector.

'The co-op sits somewhere between the traditional private sector and the 3rd sector. Yes we need to make money but the how and why are as important. Maybe we wouldn't be in the state we are in if everyone thought that way'

6.4.6 Structure and Configuration

Whereas the previous cases (Boots and the Co-operative Bank) have seen structure as a secondary element to their organisational context this is not the case with LCS. The Co-operative structure is seen as being central to their ethos and values.

'I think that being a co-operative is fundamental to what we do. It gives us our values and it gives us our culture. All members are equal and all staff are members so it certainly has an impact.'

The co-operative ownership model places the interests of the members ahead of the short term financial interest of the organisation. LCS also manages to leverage its closeness to the membership to serve them better (Berube et al 2013).

'I am a member of staff but I am also a member as are my neighbours – so we have an unrivalled level of insight into what our members want.'

In exchange for placing members interest ahead of short term commercial interest LCS has seen membership grow to over 230,000 members – this equates to over 1 in 4 of the population of the county. The structure of LCS is supported by 9 members groups throughout the county. These groups meet 4 times per year and consist of approximately 30 people. The members groups have a range of roles – they act as consumer panels testing new

products, they are the mechanism by which the community champion awards are made – making awards to local charities and community groups and they influence the choice of Charity of the year.

'The importance for our members who are also our customers, they are all shareholders. All the staff are shareholders, I am a member I have one vote same as everyone else does.'

This means that LCS has a 'proximity advantage' (Berube et al 2012) in two respects firstly in a geographically dispersed county it remains close to its members via the members groups and it has a closer relationship to its customers. Additionally the structure allows the differing divisions to benefit from the member groups and so the usual organisational silos are less problematic than in other organisation – further the ICA principles that are generally well known and accepted by staff include 'Co-operation amongst Co-operatives' which encourages staff to gain an understanding of other aspects of the business. The structure of LCS means that the owners are members and as members participate in the process of setting direction via the member groups the organisational strategy is aligned to the needs of the members and of the local community. Additionally the fact that staff are members therefor owners gives them a strong sense of belonging to the organisation and ownership of LCS. This is not possible in a public company of investor owned firm with the primacy of shareholder returns. The Co-operative model can have drawbacks as the involvement of a wide range of members can lead to powerful coalitions forming to undermine the decision making process and it can lead to slower action to address problems or to capitalize on opportunities. This was seen to happen in early 2014 to the national Co-operative group when following difficulties at the Co-operative bank a review was carried out of the bank and the wider group by Lord Myners. The recommendations of this review were blocked by a number of the local Co-operatives who stood to lose control over the group. The Group (chaired by the LCS Chief Executive) eventually agree to the following changes The creation of an elected board of directors, comprising people with relevant experience to run an organisation like the Co-op, the establishment of a structure that gives Co-op members powers to hold the

board to account, moving to a "one member, one vote" system, in which members can directly vote on policies and the introduction of rules to protect against de-mutualisation. The creation of an elected board of directors was the most significant change for the group as until this point the local Co-operatives has a seat on the board and this had led to board member with no relevant experience of running a business with a turnover of over £10 billion. The role of leadership in this event was significant however it evidences that whilst the Co-operative structure can be beneficial it can cause challenges if not managed and controlled. The main strength of the Co-operative structure (the consensual and consultative decision making process) can also be a weakness as it can lead to delayed actions by significant debate, discussion and vested interests that may not be aligned to the needs of the market. LCS manage this process by ensuring that all members are fully engaged in the discussion and debate however they clearly distinguish the roles and responsibilities of the executive officers and directors and the elected officials (the board) in the day to day running of the organisation. Additionally they have a very efficient consultative process set up through the 9 member groups and a well-developed performance management system that allows them to identify and correct areas of underperformance.

6.4.7 Business Case and Measures

As a society LCS measures performance using a 10 indicator balanced scorecard developed by Co-operatives UK the indicators are given in table 6.6 and all employees are aware of the importance of meeting the range of KPIs that the society measures.

| | Description | Measure | Quantified by |
|-----|--|--|--|
| 1. | Member economic involvement | Trade conducted with members as a proportion of turnover | Data from the use of the dividend card and pro rata estimates for divisions where the dividend card is not used indicate that trade conducted with members |
| 2. | Member democratic participation | Number of members voting in elections and as a percentage of total | Increases/decreases in number of members voting in elections |
| 3. | Participation of employees and members in training | Hours of training undertaken | Employee take up of in house training and attendance at external training activities |
| 4. | Staff injury and absentee rates | Total number of accidents and reportable accidents. Staff absentee rates | Absenteeism rates and accident rates The average number of absence days for 2013 was 7.8 with 270 incidents were reported internally with 21 reported to the health and safety executive. The average number of absence days was 7.2 for 2012 |
| 5. | Staff profile – gender and ethnicity | Gender split and % employees from different ethnic groups | As of 2013 72.7% of employees were female and 27.3% a male. Approximately 0.9% declare an ethnic minority background. The proportion of male and female staff was equivalent to 2012 (72.5% F and 27.5% M). The percentage of ethnic minority staff declared in 2012 was 0.8%. |
| 6. | Customer satisfaction | % of customers being satisfied with service | Customers are surveyed on a rolling basis by division. In 2013 customers of the funeral division were surveyed and 98.8% were confident to recommend LCS funeral division. In 2012 customers of the food division rated satisfaction on a 15 aspect survey of the shopping experience 86.4% were either very satisfied or satisfied overall (not independently verifiable) |
| 7. | Consideration of ethical issues and procurement and investment decisions | Evidence of ethical issues in decision making | Over 98% of food and 100% of fuel procurement is done through the Co-operative Retail Trading Group which is managed by the Co-operative Group which has stated that it's committed to developing fair and sustainable relationships with suppliers across its supply chain. The remaining 2% of food is sourced locally from verified local suppliers. |
| 8. | Investment in community and co-operative initiatives | Annual proportion of investment in community/ co-operative initiatives as a % of pre-tax profits | In 2013 £842,879 in community initiatives and £45,000 in co-operatives and their development (approximately 6.2% of pre-tax profits) In 2012 this figure was £871,551 in community initiatives and a further £50,000 in co-operatives equating to around 6.3% of pre-tax profits (verified by auditors in annual report and accounts) |
| 9. | Net CO2 emissions arising from operations | Net tonnes of CO2 emissions from energy used for all on-site operations (but excluding | In 2013 2,080 tonnes of CO2 from onsite operations. 2012 = 2,040 tonnes. |
| 10. | Waste recycled | % of waste recycled/re-used as % of total waste | In 2013 LCS recycled 92.7% of waste produced, in 2012 93.7% of waste was recycled |

Table 6.6 LCS measures (Source Lincolnshire Co-operative 2013 p3)

In addition to these KPIs the individual business units have financial performance targets and budgets to ensure that they are operating effectively and efficiently. LCS uses another tool LM3 to measure the financial impact that they have on the local economy. LM3 is a tool developed by the New Economics Foundation (NEF) to measure the multiplier effect of spending in the local economy. The LM3 report estimated that £5m a year which would go to external investors in a PLC goes to the LCS members, staff and suppliers. LM3 analyses wages paid, the dividend given to members and the donations made to good causes. It gives an analysis of the impact of money spent with local businesses, e.g. the 'Love Local' food suppliers, however it also considers more transactional elements of the supply chain e.g. the contractors that builds and re-fit stores and or who print posters and leaflets as well as professional forms such as solicitors and accountant. LM3 also examines how much the suppliers then spend locally (the total in 2012 -13 was estimated to be around 75 per cent). NEF suggest that 'a higher proportion of money re-spent in the local economy means a higher multiplier effect because more income is generated for local people' (NEF 2013)

LCS use this information to encourage members to engage with their business

".....Did you know that for every £1 spent with Lincolnshire Co-op, an extra 40p is generated for the local economy? We've taken part in some research which looked at where money goes once it is spent in our outlets. We were really excited by the results. It showed that cash spent in our outlets passes through local people's hands five to eight times. Chief Executive Ursula Lidbetter said: "We're pleased with the results of this study which show our positive impact on our local economy. "Everything we do as a co-operative society is for the benefit of our members who own the business, and their local communities. "We support these communities in a numbers of ways – by providing the rural services important to people like food stores and post offices, by giving local producers an outlet for their goods, by giving grants and donations to local groups and by making our members better off by sharing profits through the dividend." (source LCS 2014)

6.4.8 Culture and Leadership

In their book the Leadership Challenge Kouzes and Posner (2011) suggest that leadership in an organisation is not a positional responsibility rather it is about 'mobilizing others to want to work towards shared aspirations (Kouzes 2011 p1). They suggest that there are five traits or behaviours that underpin this

1. Model the way: to model the behaviours expected from others it is necessary to be clear about guiding principles and values. Effective leaders are aware that their behaviours must reflect their rhetoric and that credibility is only possible if words and deeds are aligned.

'Ever since Heather joined I feel that the values and principles are clearer and we can see them being lived and they are not just something on the wall,

There were numerous comments from staff that pointed to the fact that the senior management team clearly believe in the values and principles of the Co-operative movement and in the LCS mission and objectives. These are underpinned by the performance management systems and measures that quantify the impact that LCS has on the local community, the way that it creates shared value and, through the Fairtrade scheme how its ethical trading claims are verified.

2. Inspire a Shared Vision: leaders have a responsibility to engage others in tying their 'personal dreams' (Kouzes & Posner 2011 p100) to the aspirations of the group to create a shared vision. Leaders inspire this shared vision through 'vivid language and ...uplift others with their infectious enthusiasm and excitement to strive towards achieving the groups goals for the greater good' (p101)

'What always impresses me is that it's not just values that are passed down from the top – they also make sure that we see them adhering to them. So for instance the 3es are not just a pamphlet or a poster – the senior management team show us that they believe in them by sticking to them'

3. Challenge the Process: much of the role of the leaders involves managing change. In their seminal work on change management McCalman and Paton (2008) suggest that a 'systems approach' (p101) to change is required to effectively manage change.

LCS's stated values include the notion of 'Family of Businesses' which is designed to combat the silo mentality the divisional structure can encourage. The values provide a framework for staff to understand the importance of taking a 'whole business' approach to LCS and although the retail arm is the largest no one part is seen as being any more important than another and there are very strong links between pharmacy and retail however there is a weaker link between the funeral business and the rest of the group. By putting in place the organisational structures to promote the less visible parts of LCS the leadership team are breaking down the silos and challenging the process.

4. Enable others to act: Kouzes and Posner suggest that leadership is a team effort that requires trust and strong relationships. That these exist in LCS is evidenced repeatedly in the research

'We all have to take responsibility for bringing the best out of each other. I think our commitment to education is probably the most important thing that we do – it shows that we are serious about developing communities but it starts with us – we invest in our own people's education and that shows that it's not just about looking good – we actually do it'

5. Encourage the Heart: this involves putting into practice the principles and actions that create a sense of community. In LCS this is done through the values and the consistent communication of what is important to the Society

'In terms of culture – it is part of our job to make sure that everyone understands the values and that they are lived and breathed. Do we create the culture – no we do not. The staff create the culture but what we do is to provide the structures where that culture comes to mean something. We must be visible in doing this'

Organizational culture has been defined by Schein (1990, p. 111) as a pattern of basic assumptions invented, discovered or developed by a given group as it learns to cope with its problems of external adaptation and internal integration. The employees of LCS explain the culture in a consistently uniform way. The importance of a local agenda combined with the grounding principles of the wider Co-operative movement and the values of LCS combine to evidence a very powerful dominant narrative that the staff use to help make sense of the essence of what it means to be a part of LCS. The fact that all staff become members and that the members are the owners of the society helps to create a culture of 'members first' (Berube 2011) where LCS manages to create member loyalty and to grow its member base. Member loyalty is an important factor in the creation of the LCS culture as this would appear to underpin other elements of the cultural web of the society.

6.5 Summary

This chapter has looked at the practices, values and culture of a smaller organisation than the previous cases. The study has taken a longitudinal approach to the case and the organisation was revisited on several occasions between 2008 and 2013. The key findings are that staff in Lincolnshire Co-operative show a very high degree of awareness of the benefits that the values and structures of the Co-operative movement and more importantly Lincolnshire Co-operative bring. Whilst they do not use the standard language of CSR they have a very strong sense of what being responsible means to the Society and there is a very strong level of engagement in the values and objectives of the society.

Meaning is created through a range of different processes - symbolic interactionism plays a role and in the case of LCS there are abstract objects but also concrete objects. The interaction between the staff and members play an important role in this process as does the relationship between staff in the different divisions and between staff and managers and the top leadership team.

The majority of the societies CSR activities are focused around local initiatives. They have a very strong relationship with one local school and education is a constant theme that runs through all activities and is reflected in the beliefs and values of the society. The local focus does not mean an overly insular approach to CSR and indeed a significant element of the LCS activities are in ensuring there is an understanding of the logic behind and benefits of Fairtrade. The LCS paradigm is around the creation of Shared Value and this is reinforced repeatedly throughout the case. Shared Value is created by adapting the organisational processes and structures to ensure that they not only benefit the society but also the local community is a significant beneficiary. This is not only an aspiration however through the performance management system and by using the LM3 tool the benefit to the local community can be quantified in financial terms.

The leadership team in LCS provide much of the context through which sense is made and their behaviours and alignment of their actions to the values and mission of the society creates much of the context for LCS.

6.6 Key Points from Chapter 6

The Lincolnshire Co-operative research is summarised below

Summary of Chapter 6

| | |
|--|--|
| How is CSR interpreted by employees to create meaning? | There is a very clear dominant narrative around the importance of the members. Members are at the heart of everything that LCS does and this gives a clear focus to the sense making process. This is underpinned by the values and principles of both the Co-operative movement through the ICA principles and also through the values and mission of LCS. The local focus makes sense to employees and the fact that staff are members gives them a clear understanding of how this is operationalised. The 'members first' agenda is clearly communicated and it embodies all of the other strands of responsible behaviour |
| What are the benefits of CSR? | The benefits of CSR to LCS is that it defines what the society is. The society does not use the language of CSR as it views being socially responsible as part of the essence of what LCS is – it is part of the organisational makeup. The benefits are that it engages LCS with the local community and this in turn means that the relationship between the two is strengthened leading inevitably to a more engaged membership |
| How is it defined? | CSR is clearly defined as the creation of shared value. Whilst LCS may not use the language of CSR that of the creation of shared value as |

| | |
|---|--|
| | defined by Porter and Kramer (2011) is the closest of any of the definitions given in chapter 2 to the LCS context. |
| How is it operationalised to create shared value? | The member groups play a significant role in the operationalization of shared value. They are the conduit through which most of the key decisions are made and they feed directly into the decision making process and strategic direction of LCS |
| What is the impact of structure? | The structure is seen as being fundamental to the success of LCS. The membership of LCS as a percentage of the population is significant and this in turn gives legitimacy to LCS and significantly enhances the social capital enjoyed by the organisation. |
| What factors impact its credibility? | There are a range of factors that impact the credibility of CSR in LCS. Firstly there is an alignment between the rhetoric and the actions of the organisation. In addition there is a strong sense that the leadership team are acting in the best interest on both the society and of the local community. |
| What is the role of leadership? | Leadership is important in the creation of shared value within LCS. The senior management team are trusted by staff who are also members and so there is a high level of engagement resulting in participation and attendance at LCS events throughout the county. |
| What is the relationship with organisational culture? | LCS has a very clear and powerful set of values and beliefs. There is an alignment between what the society aims to deliver and the measures that it uses to do so. The culture is underpinned by a consistent narrative around the importance of members and the engagement with the local |

| | |
|--|---|
| | <p>community. There are strong links to the national Co-operative movement and this has been enhanced in recent months by to appointment of the Chief Executive of LCS as the Chair of the National Co-operative board.</p> |
|--|---|

Chapter 7 Discussion and Conclusions

7.1 Introduction

The preceding chapters have given a detailed analysis of the three cases. This chapter brings the analysis together and examines the lessons that can be learned from the case studies, considers how the analysis answers the research questions given in Chapter 1 and to consider the contribution made by the research to the body of knowledge. Much of this chapter forms the basis of a paper that has been peer reviewed and accepted to the Industrial Marketing and Purchasing Conference in September 2013 (<http://www.imconference.com>) and the abstract is included in Appendix 7. In common with Chapter 4, 5 and 6 the peer review process has helped to give additional validity and reliability to the contents.

The study followed what Yin (2003) described as "an empirical enquiry that investigates a contemporary phenomenon within its real life context." Westgren and Zering (1998) argue that in-depth case study research is more effective in addressing 'what is currently happening' within an industry and 'why it is happening' when compared to more traditional econometric analysis, which often describes 'what has happened in the past'. The chapter falls into three natural sections. Firstly a summary and comparison of the Final or Selective codes from the Grounded Theory analysis. Secondly this is then considered in the context of the research questions posed in Chapter 1 and finally the contribution will be identified – from a methodological perspective, a content perspective, an academic perspective and from a practitioner perspective.

The subject of CSR and its various manifestations is for most organisations a very real phenomenon that sits at the intersection of facts, beliefs and values. The three organisations chosen were chosen because they espouse a strong belief in values and ethical practices. Business ethics have been described as oxymoron (Collins 1994) however Crane & Matten (2010) defines

business ethics as '*...the study of business situations and decisions where issues of right and wrong are addressed*' (Crane & Matten 2010 P8) a definition that could equally be applied to CSR, values or any of the derivative constructs that stem from the notion of organisations having a responsibility beyond that of the Friedman's profit maximisation priority (Friedman 1970).

7.2 Selective Code Analysis

The analysis of the data revealed 8 Selective or Final Codes from the data. These codes were:

1. Creation of Meaning and Sense making
2. Definition
3. Activities and Focus
4. Beliefs
5. Paradigm and Shared Value
6. Structure
7. Business Case and Measures
8. Culture and Leadership

The codes were arrived at through the GT process of constant comparison of the data as it was uncovered. As GT has not previously been used to examine CSR via multiple case studies there was no template for the coding process. This proved not to be problematic because GT is premised on the detailed and constant comparison of the data to allow the development of firstly the open codes and then the axial codes. The process of coding was that each interview was separately coded and the themes allowed to develop to give the open codes. In parallel with this process the data was compared across all of the interviews to allow for the development of the axial codes which were then analysed across the three case studies and the differing domains within the cases. These domains varied from case to case however they were either the different times that the research was carried out e.g. the Lincolnshire Co-operative interviews of 2008 and then again in 2010, or the Boots interviews of 2007 and 2010 or the interviews carried out in Boots head office which contrasted with the interviews carried out in the stores. Similarly with Co-operative bank there was a significant longitudinal element to the study that allowed a comparison across the period 2007 – 2012. This

added to the both the internal and construct validity discussed in chapter 3 section 3.9 by ensuring that valid comparisons were being made and avoiding the accusation of comparing apples and pears (Dey 2005 p21). One of the common issues that arose was that of language. All three organisations claimed not to favour the use of the terminology CSR however they each had policies and procedures that would be recognised as CSR and they each reported their social and environmental impact. This means that although they use different language the overall impact is the same as will be seen in section 7.2.

7.2.1 Creation of Meaning and Sense making

In their paper Making Sense of CSR, Cramer, Jonker and van der Heijden (2004) examine the process of sense making and developing meaning of CSR. They use the language of Karl Weick (Weick 1995) where he asserts that sense making is about such things as placement of items into a framework, comprehending, dealing with surprise, constructing meaning and trying to gain mutual understanding. The theory of sense making asserts that it is an inherently social process involving gaining an understanding of what others want and trying to ascribe meaning to it (Goia & Chittipendi 1991). Sense making is thus related to complex issues and not to simple everyday problems that occur in organisations which can be resolved through routine processes and procedures. This is especially important where facts interact with beliefs, values and norms – an important part of CSR (Nijhof & Jeurissen 2006). At the core of sense making is the notion that people retrospectively make sense of their environment, behaviours and consequences (Weick 1995). This process is likely to be complicated by the fact that in any organisation people might adopt a range of stakeholder perspectives e.g. as employee, customer, community member whilst within a business different employees are likely to use differing mental models to make sense of their environment (Morsing & Schultz 2006), thus making the process both complex and subjective.

CSR offers a framework and reflexive process in which people can construct meaning (Cramer et al 2004) and in some studies have found that it is more easily adopted by top managers than by line managers and their personnel, and that line managers usually focus on their day-to-day performance and the financial bottom line; and that often line managers wanted to know what they were expected to do and what the specific merits of CSR were for their business (Cramer et al 2004). In a subsequent paper for ICCSR, they quote the example of an airline that launched a CSR project within a business unit which ended fairly quickly because the unit manager did not recognise the relevance when looking at the targets that the company gave to him.

One of the issues around CSR and sense making is the notion that the process of sense making is a retrospective activity based around two key questions – what is going on here (the assumption that the phenomenon has happened) and what do we do next (Weick 1995)? This may be problematic in terms of CSR which might be seen as prospective sense making (Gioia & Mehra 1996) where an organisation is engaged in the imagining an idealised future, then working towards it – an example of this might be the environmental initiatives engaged in by e.g. Marks and Spencer or the human rights initiatives that Body Shop were associated with in the past. In this case sense making is not simply confined to the notion of discovering a shared reality, but in crafting a future that is seen to be shared by members of a community. This is done by a process of constructive dialogue, where the organisation and its stakeholders can produce a shared vision of the future and act upon it. This suggests that in addition to producing a shared view of the current reality that it is possible to create a shared dream of the future by selecting the issues that are integrated with the organisation's competencies and are affiliated to its core vision of a sustainable future. Additionally the process of Symbolic Interactionism becomes relevant to this process.

The three organisations studied and the different domains considered as part of the study had many similarities around the sense making process. The similarities tended to be process focused – for example the tools used to

create meaning. Table 7.1 gives one illustrative quotation from each of the organisations that underpins the ways that sense was made

Table 7.1 Illustrative Quotations

| Organisation | Comment |
|---|--|
| Boots | The main value is, I guess, Trust Boots. That's what we trade on is the trust. There is a set of corporate values that sit behind that and have been dished out and we have a session coming up, led by my director, where we will talk through these values and hopefully live and breathe them a bit more so they're things like simplicity – I can't even remember them all, I've got them written down |
| Co-operative Bank (The Bank) | Part of the role of senior management is to help staff understand what is important to us. We try to make sure all activities are aligned to our values and the 5 pillars |
| Lincolnshire Co-operative Society (LCS) | I use the 3es as the main way of understanding what is important – but I also speak to my manager and we get regular updates sent through so that we know what is important. It really comes down to serving the community |

In a positivist paradigm there is an assumption that knowledge is an objective fact. As has already been discussed CSR, ethics and values sit at the intersection of facts, beliefs and culture and that understanding of such constructs is based on individual interpretations that are shaped by socially determined interpretations of reality (Boje et al 1996). If we add to this complexity the fact that organisations operate in a global context where multi-cultural workforces are the norm then these interpretations of reality are likely to be diverse. Of the three organisations studied only LCS has a workforce that might be described as almost exclusively white British (source LCS 2013) whereas Boots with its increasingly global footprint and the Co-operative bank being a large national bank both have diverse workforces. Diversity has been clearly identified as a source of innovations and learning for organisations (Meade & Andrews 2009) however Hofstede (2001) and Trompenaars & Hampden-Turner (2004) have given much insight into the impact that national culture can have on organisational culture. This impacts on the process of sense making and the individual interpretations of reality

however the cultural variations can be seen within national cultures and within organisational functions. This suggests that specific cognitive processes are developed to guide interpretations (Macharzina et al 2007). Over the course of the study it became clear that these cognitive processes could be impacted by the organisation in a number of ways. Firstly the organisation can give staff one of the key SI objects that help them to make sense of the benefits that CSR can bring (Blumer 1969). This can be done in a range of ways and due to the longitudinal nature of the study there were several objects identified whereas a single intervention providing a 'snapshot' may well have missed identification of these. Firstly there are social objects that impact the culture of the organisation. In early 2006 Boots were undergoing a change from Plc to private ownership via a Leveraged Buy Out of over £6bn when the Chairman Stefano Pisano backed by Private Equity firm KKR took control. In the immediate aftermath there were concerns about job losses and erosion of the company's heritage however there was an immediate guarantee that the organisational heritage was where the new owners saw the value and that this would be protected at all costs. As the case was developed in the following years the credibility of the owners grew and this was underpinned by their focus on CSR and its importance to Boots and its values. The focus during this period was the Trust Boots initiative. Trust Boots gave staff a focus and this was evidence throughout the study. Trust was evidenced in three related but fundamentally different ways (ignoring the use of it as a consumer marketing campaign). Firstly it was used as an acronym for the values of Boots (Trust, Respect, Understanding, Simplicity, and Togetherness). This represents a form of abstract object but one that is relatively easily made sense of especially when allied to another SI sense making process - the social object of colleagues and friends. Some of this is underpinned by the Cultural Web of the Boots (fig 2.2 in section 2.7) as it is influenced by legions of stories that are part of the cultural web of Boots and they might be seen as belonging to Schein's level 2 and 3 elements of culture (see 2.11.2) representing Values and Assumptions. The problem with the use of Trust as an acronym was that many of the staff could not recall what it stood for and instead they used it as a metaphor. This was identified by the organisation that realised the importance of a simple but powerful

device to help staff make sense of the values and the importance of them in a simple way. The senior managers at this point began to see 'Trust' less as an acronym and by reinforcing the overall values and providing some simple 'order generating rules' (MacIntosh 1999) which allowed the process of sense making to develop in a more emergent way where social objects became part of the process and gave more shape to the abstract objects.

'we are all aware of the importance of Trust but a part of the pharmacy team our credibility is dependent on it so we try to ensure that everyone is aware of the importance of it' Pharmacist Glasgow

A similar process was noted in Lincolnshire Co-operative Society where Trust was replaced by a focus on members. Members have multiple roles in the sense making process at LCS. They represent the owners of the society but they also represent and are symbolic of the local community. The local community and the members form a clear Social object in the sense making process. The fact that all employees become members – for pragmatic structural reasons as well as symbolically being a way of supporting the Society – means that a member focus also means an employee focus. There is an understanding of the Rochdale principles underpinning the LCS culture however the stories and symbols from the cultural web (Johnson et al 2011) that underpinned the sense making process tended to be related to the local agenda – with stories of links in with local schools, the community champions scheme, volunteering and the emphasis put by the society of education and the fact that LCS had been so instrumental in the setting up of the University of Lincoln. This was noted repeatedly over the course of the time period that the study took place and it was further noted in the different business divisions and from Head office staff. The ICA principles (see Chapter 6 section 6.2) were used in the sense making process by head office staff to a much greater extent than by front line and customer facing staff whilst they showed an awareness of the ICA principles were much clearer on the LCS mission and values and the importance of serving the local community and ensuring that members were at the heart of all activity. In this sense

members and the local community can be seen as the key objects in the sense making process.

The Co-operative Bank by contrast did not have a simple sense making device but instead used the ICA principles and the broader concept of stakeholder engagement and the ethical practices to make sense of the meaning of CSR to the bank. Again the longitudinal nature of the study allowed for a consideration of this over a period of some years beginning before the banking led recession and monitoring it throughout the difficulties. During this period there was no single object that the staff used to make sense of CSR. There was an element of SI – in that the co-operative principles can be seen as objects; however of much more importance to the bank staff were the cultural web and the stories that stemmed from the web. These provided a much more coherent dominative narrative through which sense was made. As was shown in chapter 6 section 6.4.2 it was the ethical policies that underpinned many of the stories that helped make sense e.g. in the early part of the study the bank had recently refused to accept the account of an Ostrich Farm because it felt that this was a business that was likely to lead to animal suffering however this was premised on an incorrect understanding of the business model for Ostrich Farming and the bank reversed this decision

'it was like the instance when we rejected the ostrich farm on ethical grounds because we felt there was not sufficient safeguards in the UK for the welfare of the birds. Then we realised that this was not the case so reversed the decision – that showed that we do listen to stakeholders and that if we get it wrong we make the changes but the decision was made not for commercial reasons but for animal welfare and ethical ones' Manager Head Office

The interpretation of the policies and standards are broader in the bank than in a smaller organisation such as LCS however Boots is a larger business (measured by number of employees, turnover, or profitability) and would appear to manage this process more closely. The bank staff used the notion of ethical banking as a broad construct and as a means of making sense of

what CSR meant to the bank however this led to a broad understanding of the construct and did not give as clear a sense of direction as in the other two organisations. The topic of sense-giving and the level of engagement from stakeholders in the process was discussed by Maitlis (2005) and are shown in fig 7.1 below. Sense-giving refers to the input of organisational leaders on the one hand – where they actively intervene in the process and influence the deep structures (MacIntosh 1999) that provide the core objects in the sense making process. LCS evidence a guided sense making process, Boots also evidence a guided process however there is less stakeholder involvement in the process than there is with LCS. Co-operative bank place great emphasis on stakeholder engagement and much of their sustainability report focuses on their engagement with stakeholders – an area that was obvious in the open and axial codes although it was subsumed into the Paradigm and Shared Value selective code. This meant that there was loss of a guided sense making within the bank and it tended towards a more fragmented sense making where there were a wider range of narratives and stories that were important. In addition there were a number of confusing contradictions noted in the bank. For instance a number of members of staff commented that there seemed to be a contradiction between the bank's policy towards manufacturers of tobacco products and their more relaxed approach towards the retailers (who include both the national and local co-operative groups). Appendix 8 gives a copy of the bank's application for a business account. Page 3 clearly asks if the business is involved in the manufacture of tobacco but no such information is requested of retailers. This was noted by 5 members of staff working in the bank branches.

Fig 7.1 Sense-giving (source Maitlis 2005 p 32)

| Leaders Sense-giving | Stakeholder Sense-giving | |
|----------------------|---|--|
| | High | Low |
| High | Guided Sense making Process - High Animation/High Control Outcomes - rich unitary accounts & emergent series of constant actions | Restricted Sense making Process Low Animation/High Control Outcomes – unitary narrow accounts & planned set of consistent actions |
| Low | Fragmented Sense making Process - High Animation/Low Control Outcomes – multiple narrow accounts & emergent series of inconsistent actions | Minimal Sense making Process – Low Animation/Low Control Outcomes – nominal account & one-time compromise action |

In each of the three cases there was clear evidence of a process of symbolic interactionism being undertaken however there were differences in how this manifested itself. In LCS and Boots there was a simple tool used to help staff make sense of what the organisation means by ‘doing the right thing’ (Boots employee Leeds).

The creation of meaning and sense making form the most important theme from the research. The process dominated much of the discussions and this section shows the ways that sense is made of the phenomenon. Meaning is created via a range of processes however the impact of the organisation in this process is significant. Maitless (2003) identifies the potential impact where organisations ignore the need for sense-giving and this became clear as the research developed. The use of both physical and abstract objects (Blumer 1967) in the sense making process evidenced the ways that the organisation can influence the process and the ways in which staff look to the organisation for guidance.

7.2.2 Definition

Absolute definitions proved problematic and were heavily influenced by position in the organisation. Overall there was a lack of any single definition within any one organisation however by looking closely at the codes and from the important GT process of memo-ing (see chapter 3 section 3.10.3) it became clear that the definitions broadly fitted those given in chapter 2 table 2.2. There were some clear differences in the organisational perspectives on CSR and it was identified from the research that some of the language of CSR has become tarnished (Baden and Harwood 2013). There was a clear and well evidenced belief amongst staff in all three organisations that it is important to be responsible and ethical in business practices all three were sceptical and in some cases (especially LCS) openly rejected what they saw as a marketing device or worse a cover for positively unethical behaviour.

'CSR is mostly greenwash – our values are part of who we are and we do not a bolt on that we call CSR. For most businesses they want it to tick a box that says 'we do CSR' and it means that they can write a report. Did you know that Enron had a CSR report?' LCS Manager.

The dominant definitions were heavily influenced by the sense making process and this was in turn influenced by the key SI objects. The abstract objects such as metaphors, the concrete objects such as posters and guides and the social objects of colleagues friends and family which are closely aligned to the Matlis (2005) narrower definition of stakeholders as opposed to Freeman's definition of 'any group or individual who can affect or is affected by the achievement of the organisation's objectives' (Freeman 1984 p 46). Clearly from a sense-giving perspective the organisation can exert more control over the abstract objects through symbols and stories however where the staff add to the social group the members (as LCS staff do) then this becomes more difficult to control. This clearly impact the views of the staff – the lens that they use to view the construct is likely to impact their definition

however there was a sense in all three organisation that while it may be difficult and in some cases undesirable to clearly define what is meant by CSR it was always obvious what constituted irresponsible behaviour. Closer examination of this suggested that the original definition by Carroll (1979) as discussed in chapter 2 and shown diagrammatically in Fig 2.1, is still a widely held and understood. The two definitions that are of more relevance are the EU definition of *'Integration of social and environmental concerns on a voluntary basis'* (European Commission 2002) or the 2011 revision of *'the responsibility of enterprises for their impacts on society'* (European Commission 2011) which fitted with the values and rhetoric of both Boots and the Co-operative bank and that of Porter and Kramer who defined the creation of shared value as *'Increasing competitiveness whilst simultaneously advancing economic and social conditions in society'* (Porter & Kramer 2011). Whilst never being explicitly used by any of the organisations this definition clearly matched the organisational values and paradigm of Lincolnshire Co-operative Society (LCS). Of more significant importance than a specific definition, from an organisational perspective was the need for staff to understand the values of the business and the way that these values become incorporated into the activities of the organisations. Being a longitudinal study this was noted over the years that the research took place however it became a much more powerful tool for countering any of the negative coverage of change that was experienced by Boots during their journey from Plc into private ownership and the subsequent sale of the business to the US Corporation Walgreen. The definitions that were used became part of the dominant narrative and as such contributed to the SI process but also to the organisational culture by inputting into the stories that form the paradigm. As Boots became larger the Trust metaphor remained however the acronym became less important until it was subsumed into an overall set of values that the organisation now espouses.

Definitions of CSR were also linked with the categories and activities discussed in section 7.2.3 and these in turn were influenced by position in the organisation.

Ultimately the definitions used reflected the intersection of the organisations dominant narrative and the values of the organisation both enacted and

espoused. That there was no single definition that all staff could identify with is not unusual as a complex construct is unlikely to be understood in the same way by a diverse group of staff. The fact that it was identified that there was a benefit to the organisation in Guided Sense making would suggest that there may be benefits in helping staff to define and understand how CSR is conceptualised as the sense making process is likely to involve the social objects of colleagues and managers. This creates an opportunity to influence the culture by the development of a narrative and stories to reinforce the process. This is not to suggest manipulation but simply that where more guidance is given there is likely to be a better alignment to organisational goals and mission. In addition where there is a lack of understanding of the focus and values then multiple understandings are likely to develop. Section 7.2.3 considers that activity matrix and has been identified those activities with a stronger levels of affiliation and integration that constitute strategic CSR are more likely to be viewed as adding value than are the other activities. A coherent definition can be part of this process which even if not using the same language as the academic literature or more populist 'management speak' due to its lack of credibility can become part of the sense making process and can become part of the dominant narrative that underpins much of the organisational culture.

7.2.3 Activities and Focus

There was a wide range of activities identified from all three organisations and it is worth noting that the activities were not only market and community focused. Equally there were a range of activities that closely matched the personal values and experiences of employees which were not always aligned to the organisations values. This manifested itself when interviewees noted their preference for engaging in socially responsible activities that might be classified as not employer driven e.g. supporting their local charities or community activities not involving the company. As the research developed it became clear that both employees and businesses felt that activities that were closely aligned to the objectives of the business and

supported the personal values of the employees were deemed to be much more impactful and important than the one off initiatives that, whilst being of some value were not generally seen as being of significant importance. Figure 7.1 takes a range of activities that were identified across the organisations and using the methodology described above categorises them by using the categories identified by the coding process.

One of the key findings from the research is the importance of context in identifying the perception of initiatives. The study showed that activities tend to be classified depending on the individual's preference for the particular cause, but interestingly there was, in almost all cases, an interest in the level of alignment to the organisation's values or purpose. There was a link between the level in the hierarchy and the preference for more strategic activities and a strong link between communities of practice and the activities however there was also noted a general set of activities that transcended position or role such as many of the Cause Related activities shown in Fig. 7.2. Where employees could see a link between the causes and the business they were significantly more positive about them. Even in cases where there might not be an obvious link, e.g. the Benefit Fund as mentioned above, staff were quick to link it to the businesses values – repeatedly stating that it showed that the company did not just talk about looking after its staff but had put in place practical measures that allowed for direct interventions when staff were in need. Equally from the senior managers' perspective they were very keen on initiatives that modelled the behaviours that the organisation felt would strengthen its culture.

The categories in figure 7.2 reflect the degree to which the activity might be seen to be aligned to the organisational mission and values (integration) and those where the employees feel a strong sense of identity with the cause (affiliation), even though it might not be strongly aligned to the organisational mission e.g. community building project, or one off television appeals. There can and will be migration between categories e.g. environmental initiatives may be deemed to have moved from box 3 to box 1 over the last couple of years.

The examples given in figure 7.2 comes from employees of all three organisations covering the range from those who would describe themselves as values driven, those who saw the business as being values driven and socially minded, to those who had a view that the core values were those of meeting customer needs. Whilst the IOF business might be expected to be much more aligned to the Friedman view of CSR (the business of business is profit maximisation), the staff still engaged in cause related CSR. The comments on all of the activities were generally favourable, however there was a significant and notable difference between comments on activities that have been classified in box 1, to the other boxes, the typical comments are given in table 7.1, where this can be clearly identified.

This does not in any way negate the value of the other boxes, and indeed the indications are that activities in all boxes are needed to ensure that all employees can relate in some way to the activities that the organisation engages in. What began to transpire as the interviews were analysed was that, at all levels in all of the organisations researched, staff had a range of perceptions on what they thought constituted 'good CSR' and how it impacted the ability to create shared value. Whilst there was no definitive view as to exactly what that would look like they had similar views on the types of activities that they thought were important. These individuals expressed a preference for some of the box 2 or box 3 activities where they felt that they could keep a relatively flexible level of engagement. The activities in box 3 were all popular, although those people who preferred activities in box 1 stated that they, generally, could take or leave what they perceived as one off campaigns. The impact that the box 1 activities had on those who engaged with them were extremely powerful and comments linking them with both organisational performance and a deep sense of personal satisfaction were noted. Interestingly some activities in box 2 that might easily be considered CSR activities were deemed to be 'day job', in other words they were seen not as CSR activities but as commercial activities with no additional significance. This was particularly noticeable with some of the supply chain activities where a policy of 'enlightened self-

interest' might be said to be being followed. This however was not the perception of the supply chain professionals interviewed. They were aware of the impact that, for instance, use of child labour in the supply chain might have, and the fact that the organisation had instigated educational programmes to try to ensure that the supply chain behaved as ethically as possible (including rigorous audit of the supply chain), but they felt that these activities did not constitute CSR as they were what the company should be doing. They should not be seen as socially responsible – instead it would be irresponsibility of the worst kind not to have these initiatives in place as the damage to the company's reputation would be so significant that they had no choice. This contrasts with similar activities of e.g. Nike, who see this type of activity as central to their CSR efforts.

Chapter 6 section 6.4.3 clearly evidenced that there is a strong link between the comments from the local co-operative and the ability to create what Porter & Kramer (2011) might have defined as Shared Value. The Investor Owned business also seems to have a clear idea as to how it can create shared value – although the language and terminology are different in this case to that of the local co-operative. Only the large financial service Co-operative did not seem to have identified the ways that it added value to its market. The belief that the underpinning ethical stance was responsible for this may well have an element of validity but there was no sense of there being a coherent set of activities that were leading to the creation of shared value or that might directly impact the market that the organization served.

If we then transpose the broad categories from each case to Figure 7.2 the link between Strategic CSR activities and what was variously termed the organisational DNA, the heritage of the organisation or the 'way we do things' appears strong. Some of the organisations had a well-developed vocabulary that allowed their employees to enunciate this, whereas others simply talked about 'what we are about'. A correlation between seniority in the organisational hierarchy and a strong preference for the box 1 activities was noticed, however although more senior managers tended towards category 1 activities, employees who saw themselves as part of a community of practice

also expressed a preference in this regard. Equally all members of staff appear to enjoy the activities that category 3 or 4 activities and felt that they added value to the communities and so the markets that they served - although some saw them as at best peripheral and in some cases as a distraction

The initial reading suggested that senior managers in the organisation would feel differently about CSR than would front line employees, and whilst there was certainly a difference in the language that they used, all groups from all levels of the organisations held similar views on the positive things that the organisations do for what might be termed their stakeholders. This does not mean that all people supported the same activities or indeed understood what was meant by CSR, but they all understood the benefits and harm the organisation could do.

Fig 7.2 The CSR Matrix

| | | |
|---|--|--------------------------------|
| <u>3 Cause Related</u> Cancer Research (Boots) Charity of the Year (LCS/Bank) Reading Projects (Boots/LCS) Education (Bank) Sector Exclusions (Bank) Overseas health work (Boots) | <u>1 Strategic CSR</u> Community Activities (LCS) Supply Chain Activities (LCS/Boots) Encouraging local businesses (LCS) Developing Markets (LCS/Bank) Stakeholder Engagement (Bank) Supplier Development (LCS) Health Initiatives (LCS/Boots) Education LCS | <u>Affiliation</u> High |
| <u>4 After Profit</u> Sponsorship (Boots) Charitable Donations (Boots/LCS/Bank) Donations of IT equipment (Boots) Staff entertainment (Boots) | <u>2 Relevant Activities</u> Community volunteering (Boots) Reading Projects (Bank) School Governor programme (LCS) Education programmes (Bank) Apprenticeships (LCS/Boots) Job Creation (Bank/Boots) | Low |
| High Low <u>Integration</u> | | |

7.2.4 Beliefs

The selective coding of Beliefs was developed from a wide range of open codes such as 'founding beliefs' 'principles' 'history' 'records' 'chronicle' and 'narrative'. These open codes formed the axial codes of Beliefs History, Narrative and Past which by the process of constant comparison across all three of the organisations was refined to Beliefs. The beliefs encompass the most influential stories and the codification of the underpinning beliefs that these stories represent. In common with many other element of the organisational cultural web beliefs cannot be taken in isolation but are part of a complex system that ultimately forms the organisational paradigm and culture. All three organisations studied have significant longevity and are founded on a set of values that are important to the culture and form a significant part of the organisational narrative. A strong set of values and beliefs has been identified as giving significant advantage to organisations (Collins & Porras 2005) and has been noted as contributing to their ability to outlast and outperform organisations where values and beliefs are of a lesser consideration.

The belief system within Boots had a form of longevity that was not as obvious in either LCS or the Bank. Whilst the bank and LCS could and did identify strongly with the founding principles of the Co-operative movement they were not as obviously or directly applied back to the individual organisations to the same extent that Boots and the influence of Jesse Boots had. Jesse Boots formed an open code in the Boots data to an extent that Robert Owen for the bank or Thomas Parker for LCS did not. The influence of Jesse Boots and his philanthropic paternalistic form of capitalism linked to his strong Methodist beliefs was commented on repeatedly by staff from part time store workers to board level directors.

'to a significant degree we are still guided by the philosophy of Jesse boots. Everyone is aware of what he wanted to do – to help his local community by providing access to medicines and treatment that would work and were

affordable. We know that he cared deeply for his customers and their families and there are stories of him giving away medicine to families that could not afford it' (Store Manager). This is tempered by the belief that Boots is a commercial business and a for profit

'we are a business and we can and do make significant profits for our shareholders and long may that continue, but they (the shareholders) are very clear that we are Boots and we have values and these values cannot be compromised' Head Office Finance Manager.

It is in the intersection of these two competing sets of beliefs that the dominant narrative stems from – the belief that you can be a successful investor owned business that is a valued corporate citizen if you are guided by a strong set of beliefs and values is clearly evident and is evidenced in the work of Collins and Porras (2005). Many of the stories that Boots staff tell are told to reinforce the set of values and the core beliefs that Boots espouse and that the staff argue also enact. A symbolic part of this reinforcement is the annual staff awards dinner where nominated staff are invited along with others recognised by the company as having made a significant contribution to the organisation. This form of recognition is common amongst many organisations and Boots are not unique in recognising staff in this way however it was an important symbolic part of the Boots cultural web (Johnson et al 2011).

' We had a recognition dinner and we took out best managers, pharmacists, teams, H. O. people and at the end we celebrated the community charity contribution of the year and the lady that won is a pharmacist in one of our stores. What an incredible lady. Not only does she do so many things in her local community that Boots support her with in terms of time off work and funding and resourcing but she's also been out to the disaster in Malawi, with Boots sponsorship to provide pharmacy expertise and management skills.'
Director HO.

This example was noted in 2008 however every subsequent year the winners of the community and environmental awards were recognised throughout the organisation and their activities were held up as exemplars of what it means to work for boots and to belong to the organisation. On one occasion a store

manager (from Newcastle) mentioned that the store had taken the most money in the group over the previous December however no member of staff had this level of awareness of the commercial targets that the group set. They all knew about the pharmacist who went out to Malawi and who *'works tirelessly in her local community and who works to ensure the commercial success of her branch – these are the values that we want our staff to live and breathe'* Pharmacy Supervisor.

The beliefs evidenced by the staff of LCS were similarly reflective of the values of the society however there was not as strong a link to the founding fathers of the organisation. The research showed that there was a strong connection between the Rochdale Pioneers and their values however these were not always accurately reflected and indeed there is evidence to suggest (Middleton 2011) that a significant element of the story behind the founding of the movement is historically inaccurate. Whilst the underlying ethos is accurately portrayed in that the movement started in Rochdale (although co-operatives were beginning to appear nationwide at around this time) and the first codified set of principles came from this group there are doubts over the make-up of the group. This again reinforces the impact and importance of symbolism and metaphor in the development of the values and the narrative that organisations develop over time and the impact that these have on how CSR as a construct is both defined and then operationalised, The set of beliefs from all three organisations, but particularly from the Co-operatives has had a significant impact in the operationalization of CSR – both LCS and the bank repeatedly suggested that CSR was an add on that was not relevant to them but was something that Investor Owned Firms used as a way of mitigating the externalities caused by the IOF business model. Co-operatives *'do not do CSR as it is who we are and what we do'*

The beliefs evidenced by LCS were centred on their membership and the local community involvement and engagement. There was not mention of the notion of creating shared value however this was fundamental to their beliefs. The development of the local community and the support for community initiatives was the single most repeated axial code noted in the interviews. It emerged as a theme in every interview conducted whether as an open code around 'community volunteering' 'schools activity' 'local engagement' 'local

economic regeneration' or the axial codes of 'community champions' 'or 'local activists' 'history' or 'narrative'. The beliefs that were exhibited by the LCS staff had a direct impact on their views of CSR and the rejection of the term CSR as a form of 'greenwash' in itself became part of the narrative of LCS. The beliefs of the bank staff were guided more by the Co-operative principles than the local co-operative. This is no doubt due in part to the structure of the bank (which will be considered in section 7.2.6) however the belief that doing business ethically was the best way to succeed was a powerful part of the banks narrative. Over the period of the research it was noted that front line banks staff were less aware of the Co-operative principles

'I know that the Co-operative principles are important however I am not completely sure what they are but it comes down to respecting each other and behaving ethically'

By the time the Britannia staff were involved in the research this had become even less of a framework for the beliefs of the staff. The Britannia merger happened in 2009 and their staff were involved in the research from 2010 onwards. Between 2009 and 2013 the Britannia brand was retained and their staff still worked in Britannia branded branches – although the products were generally Co-operative bank branded products. This meant that the Co-operative beliefs were not universally understood or acknowledged by the staff and in some instances staff still saw themselves as part of a separate organisation. The problems that developed for the group in 2013 and that stemmed primarily from the Britannia's poor lending policies resulting in losses of over £400m in bad loans (see chapter 6 section 6.5) will doubtless impact the beliefs of the Bank especially as it is no longer a Co-operative but has significant private equity funding. At the time of data collection there was no evidence of the developing financial scandal about to engulf the Bank however the espoused beliefs that the bank was underpinned by its ethical policies were not necessarily at odds with what was a failure of due diligence in the Britannia takeover. The greater damage to the belief system of the bank was done by the £250m set aside as part of the Payment Protection Insurance scandal that all UK banks were involved in and that the Co-

operative bank until 2012 were certain had no relevance to them. This matter is still ongoing at the time of writing.

Ultimately for all three organisations their beliefs have a significant impact on their operationalization of CSR. The Bank and LCS saw CSR as a topic that was almost irrelevant to them as they saw themselves as first and foremost a Co-operative and as such ethical behaviour and 'doing the right thing' was part of their makeup and DNA. Boots on the other hand saw CSR as an important element of what they do and whilst their definition of CSR was closer to the EU 2002 definition of

'Integration of social and environmental concerns on a voluntary basis' EU 2002

Boots showed a clearer understanding of the concept of the Triple Bottom Line (TBL) which it incorporated into many of the belief systems held. The notion of multiple belief systems was more evident in Boots than in the Bank or LCS. Boots pharmacists had a set of beliefs and values that were closely aligned to the pharmacists in LCS whereas the store staff beliefs were underpinned by the history and traditions of Boots and head office staff had a more conceptual view of what constituted CSR and the importance of the TBL

7.2.5 Paradigm and Shared Value

The organisational paradigm is made up of the various elements of its cultural web (Johnson et al 2011) as discussed in Chapter 2. The selective code of Paradigm and Shared value developed from a range of open codes and axial codes that closely represented the elements of the cultural web – again there was much overlap between this category and others e.g. the stories that made up the belief systems also have an impact on the paradigm and the symbols and rituals of the organisations are important elements. The paradigm or 'the way we do things' (Schein 1996) represents that set of shared beliefs and routines that the staff collectively share. The notion of shared value is twofold in this respect. Firstly it relates directly to the Porter and Kramer (2011) definition of shared value in terms of it being the evolution

of the concept of CSR and gives a definition of the way CSR should be operationalised however it also relates simply to the way that value is created for stakeholder groups –whether as defined by Porter & Kramer or as understood by staff in the organisations.

The Co-operative bank has a wide range of stakeholders that it engages with to help underpin and develop its ethical banking policies. The bank engages with a wide range of charities and NGOs as well as religious and secular groups. There are times when these groups' interests are competing or indeed in positively conflicting however the banks ethics unit acts as the ultimate arbitrator in these cases. One such case arose during the early research period where an evangelical Christian group called Christian Voice made homophobic statements

'we had to decide what to do about Christian Voice – sure they have a right to their views but they ran at odds to our values that everyone is equal. We debated it but decided that they had to go so we closed their accounts down and told them we could no longer act as their bank' Manager HO

This decision received much publicity and highlights the problem of stakeholder management however it also caused the bank commercial problems as there were groups who sympathised with the position of Christian Voice and who were willing to defend their position. After the bank closed the account down they were rewarded by being made Stonewall the leading LGBT campaigning group as their Business of the Year. This decision and its consequences became an important part of the banks narrative in the ensuing years and in 2012 the story was still an important part of the banks story

'a few years ago we closed down the account of a group called Christian Voice because they were so anti-gay and we support all people. We have been involved in the Pride march in Manchester since it started so it would have been hypocritical to keep doing that and at the same time to tacitly support homophobia – but I don't think a mainstream bank would have done that' Manager – Banking Group

This decision was an important part of the banks paradigm as it was symbolic as well as reflective of the values that the bank espouse. There is clear evidence that value is created for a wide range of stakeholders – the core values of the bank and its focus on

Human rights, military exports to oppressive regimes, animal rights, environmental issues and manufacture of irresponsible products such as tobacco give the bank a wide set of stakeholders that they must manage. The banks paradigm is one of balancing the expectations of these groups and incorporating them into their decision making processes. Staff believe that this contributes significantly to their values and practices. Despite their dislike of the terminology of CSR the incorporation of the stakeholder expectations does impact the banks CSR activities. For example engagement with human rights charities is underpinned by the banks activities with Amnesty International, the RSPCA, the League against Cruel Sports, the RSPB and Christian Aid. These groups then become much more influential in the banks overall value system than they might otherwise be. Considered in terms of Affiliation and Integration the groups might seem to be far removed from any form of Integration with the business objectives of a mainstream bank (except of course where they are customers) however by managing them as key stakeholders their power and influence is significantly enhanced and their relevance is equally magnified.

'we work closely with Amnesty International – they are a very important group to us and we make sure none of our customers are doing anything that would be problematic in our relation with them. It is why we couldn't have an account from British Aerospace – they manufacture weapons and some of them get sold into the wrong hands. Don't get me wrong I don't go round all the time worried about what is going on in Burma but these things are important to us' Marketing Manager - Banking

The Co-operative bank use a wide definition of stakeholders – more akin to Freeman's 'any group or individual who can affect or is affected by the achievement of the organisation's objectives' (Freeman 1984 p 46) and this means it engages with a wide and varied group of stakeholders. LCS by

contrast adopts a much narrower view of its key stakeholder groups and views the key stakeholder group as being its members and by extension the local community. This allows a different paradigm to develop and one where the Porter and Kramer (2011) definition holds more relevance

'we are an integral part of the local community and everything that we do is about serving that community. We make profits so that we can reinvest them and we support community initiatives so that the community becomes stronger. We work with schools, businesses and the public sector to achieve this'

The paradigm of LCS is clearly reflective of the strong links to the local community and the desire to help strengthen that community. LCS uses its strategic resources to do this. LCS has a significant property portfolio and uses this to help community groups by giving discounted rates of rent and usage. Equally LS make significant financial interventions where a benefit to the local community can be seen. These financial interventions can range from a small support grant to a local charity of £100 to the decision to help fund the University and the agreement to allocate a potential £1m to the project and the more recent £14m collaboration between the University and LCS to develop a Science and Innovation Park. These underpin the notion of shared value in that LCS is using its resources to develop the local community in a way that it fully aligned to the Porterian definition of shared value. This was a constant theme throughout the research and whilst some of the initiatives changed over the period and the economic conditions influenced the levels of available resources there was never any change in the overall focus of the group.

Boots had a slightly different paradigm. There is a fiduciary duty on officers of a limited company to act in the interest of shareholders and in shareholder primacy and this forms an important part of the paradigm of Boots. This never changed in the period 2006 – 2013 as the business transitioned from publically owned corporation through Private ownership and the more recent sale to a US Corporations. It might be expected that the changes of ownership would have an impact on the organisational paradigm and it's

notion of shared value however Boots took great care to ensure that the values and culture remained central to the business as there was a belief that it contributed significantly to the sustainability of its competitive advantage and that superior performance would be achieved by ensuring that the paradigm was consistent

'I can absolutely map the times that we have been at our most successful to those times where everyone knew where we were going, our direction of travel, and what we stood for. Any confusion in this and we lose focus and if we lose focus it impacts our ability to deliver' Director Head Office.

Although Boots are clear that CSR is not an add on and that as a central part of their corporate identity they differ from LCS as they are aware that they first must make a return for their shareholders so although there was a clear understanding amongst staff of the need to create Trust and to behave in a socially responsible way there was no sense of the need to use the organisational resources to benefit the local community in the way that LCS believe there to be. There were a range of initiatives that Boots engage and these are aligned to the paradigm this was premised on a more traditional view of CSR.

7.2.6 Structure

The impact of structure was varied and ranged from being a fundamental driver of the CSR activities and values of LCS to having little or no impact on Boots and having limited impact on the Bank. LCS is of the belief that their Co-operative structure is the single most important factor in their success and in their focus on members and the local community

'I think that being a co-operative is fundamental to what we do. It gives us our values and it gives us our culture. All members are equal and all staff are members so it certainly has an impact.' Pharmacy Dispenser.

The Co-operative structure means that all members are owners of the society and with such a high level of membership (approaching 30% of the population) there is an awareness amongst staff that at any point in time it is inevitable that there is a member either in the store or engaged in business

with one of the other divisions. The fact that all staff automatically become members enhances this notion that members are at the heart of everything that the society does.

The Bank is not a Co-operative in the traditional sense or in the way that LCS is. During the course of the research the Co-operative bank was wholly owned by the Co-operative group and its members (see chapter 6 section 6.2 for more details) however in the very recent past this has changed and as a result of the financial problems encountered by the bank they are now majority owned by private equity and there is a valid case for arguing that it should no longer be called a Co-operative. Over the course of the study there was a noted change in the perception of the Co-operative structure to the bank. In the early interviews the dominant feeling was that the Bank was an ethical bank that happened to be a Co-operative (despite being a hybrid Co-operative) and that whilst it was helpful to be a Co-operative this was more related to the values that were historical and passed down from that Rochdale Pioneers and that were subsequently reinterpreted by the ICA in their 2013 statement of the Co-operative principles.

We are a Co-operative but more importantly we are an ethical bank – that is what we do first and foremost. I do not think that people think ‘oh I must bank with a Co-op’ but I do think that they want to have an account with a bank that has strong ethical principles and that will not do business with companies that have no moral compass’ HO Bank Manager

As the banking crisis developed in 2007 – 2008 and on into the period 2010 – 2012 there was a shift in opinion noted and the Co-operative structure became much more of an important factor to staff. Staff saw the Co-operative structure as a key factor in the banks success and in the fact that the Co-operative bank was until 2012 the only bank that had managed to avoid any of the scandals that were engulfing the mainstream investor owned banks who were either being bailed out with massive inputs of taxpayer money (RBS, Lloyds/HBOS) or accused of widespread mis-selling of payment protection insurance, unethical fixing of lending rates and remuneration policies that rewarded short term maximisation of financial outputs at the expense of long term sustainability. The Co-operative bank were held up as the way that all banks should behave and were courted by government

ministers and industry leaders. When the Co-operative bank agreed to buy over 600 branches of Lloyds following their problematic merger with HBOS the Chancellor of the Exchequer welcomed the initiative saying

"This is another step towards creating a new banking system for Britain that gives real choice to customers and supports the economy," (source <http://www.bbc.co.uk/news/business-18898125> accessed 12/2/14).

This led to a belief amongst staff that the Co-operative business model and structure were responsible for this success

'I think that the reason we have not been involved in any of the scandals is that we are a Co-operative and that means we have to answer to the members and to the group' bank employee 2011.

When the problems arose in late 2012 with the first questions being asked and then moving into 2013 when the Project Verde deal unravelled and the extent of the problems became public knowledge the impact of the structure was not considered as a significant driver of the problems. The suggestion was that it was simply a bad deal that had been done and that the problems stemmed from the level of defaults from the Britannia loans. It was not until the late 2013 early 2014 report by Lord Myners that identified massive failings of governance at Group level that the structural problems of the Group and the Bank became clear. This report, whilst it requires acknowledgement, came after the research had been completed and so had no impact on the perceptions of staff however it does have an important role in the discussion of the impact of structure.

Lord Myners identified that the structure of the Group board as not being fit for purpose and was particularly scathing of the bank's board which he said was a

"dysfunctional" board in which some directors did not know the difference between debits and credits and "clearly out of their depth when financial concepts and terminology are used".

He went on to say that the group dysfunctions could be categorised in four ways

'The Group Board's failings are multi-dimensional and can be summarised under four primary headings: inadequate collective capabilities and experience to fulfil its role, Failure to understand their governance role, Lack of unified perspective and shared purpose, Excessively complicated structures' Myners 2014 p54

Myners went on to say that

'The co-operative ownership model can – and often does – deliver powerful economic advantages. But its superiority over other forms of ownership is not inevitable and guaranteed'

Whilst the impact of structure on the Bank would appear to me insignificant the impact of it on LCS would appear to be important however the statement by Lord Myners would suggest this is not inevitable. When considered in parallel with Boots who during the course of the research changed structure and ownership on 3 occasions – firstly moving from a Plc to a Private Equity funded business and then being sold to a major US corporation we can see that the structure had no impact on the values and the CSR credentials of Boots. At each stage of the process staff were aware that the owners were guardians of a well-established set of values and that these were what made Boots the company that it is. These values are embedded and are core parts of the cultural web with each successive owner clearly stating that the values and ethical business practices of Boots were core to its ability to deliver superior performance and sustain competitive advantage.

'Everyone from Richard Bacon, through Stefano and now with the Walgreens takeover in train as clear that what separates us from the rest of the market is that we are both hugely commercial and have a set of values that guide our practices – that is a formidable combination' Senior Manager Head Office.

That this project conducted its research over a significant period of time adds much value to this element of it as it means that rather than having a snapshot of the impact of structure we are given a much more detailed view of its impact. Had the research been conducted as a one off exercise in 2006 then it would have suggested that the Co-operative structure was an important factor in the organisations view of CSR and its understanding of it and the way that it is operationalised. As the research continued it became obvious that this initial observation was open to contradiction and that in fact the changes in structure undergone by Boots had no impact on their ability to retain values as a major source of their identity. Further the catastrophic failure of the Co-operative bank and the criticisms from the Myners report suggest that the Co-operative structure can, in fact, be a constraining factor especially as it can create governance issues and can allow the appointment of wholly unqualified and unsuitable board members who oversaw failures of due diligence, ethical trading and ultimately led directly to the Co-operative bank losing its right in many eyes to use the label Co-operative. Only LCS seems to use the Co-operative structure to add value to the way it does business. Ultimately structure might be considered an enabler – it can help to create a set of circumstances where if the organisation choses they can get closer to their stakeholders however it does not in and of itself make this happen. LCS uses the Co-operative structure as both a hard system and as a metaphor for the values that it bases its activities on. Boots are clear that it is about the enacted behaviours and that the underpinning structures are of limited impact however the Co-operative bank have shown clearly that the Co-operative structure if not managed can lead to governance and leadership problems.

7.2.7 Business Case and Measures

All three organisations use measures of some sort to ensure that they are meeting the needs of their stakeholders.

Boots use the Global Reporting Initiative (GRI) to monitor their CSR activities. GRI are recognised as one of the world's leading sustainability

auditing and reporting bodies and their index forms a framework for measuring the impact of their sustainability initiatives and their CSR activities. In addition to the GRI framework Boots produce an annual sustainability report where they detail their impact and activities. The Co-operative bank not only produce an annual report along similar lines but they go as far as quantifying the business that they have won because of their ethical stance and the business that they have turned away – in 2013 this was valued at just under £1.4m (source Co-operative bank 2013) . LCS do not produce the same lengthy reports that both Boots and the bank do however they report extensively on their community and charitable activities in their annual directors report on activity. LCS measure a range of activities and these are described in chapter 6 table 6.1. The key measure that LCS use is the impact of their activity on the local community and in this respect they use the LM3 tool (see 6.4.7). This methodology allows for a quantification of the impact of spending with LCS on the local community and the calculation suggest that every £1 spent with the Lincolnshire Co-operative leads to an additional 45p of economic activity in the local area.

Chapter 2 section 2.8 considers the business case for CSR and whilst there are instances where it has been correlated to the CSR activities, quantitative correlations are methodologically problematic. It is no possible to isolate one activity as being the driver of competitive advantage or superior performance however in the research undertaken the organisations with the strongest financial performance (Boots and LCS) both had very clear and understood values whereas the bank where a weaker financial performance was evidenced had a less clearly defined set of values. This was reinforced by the Director of Organisational Development at Boots who was clear that the staff all understanding the ‘direction of travel’ ensured superior performance. As outlined in chapter 2 the more common measure are qualitative and are often noted as benefitting Brand, Recruitment, Staff Satisfaction, Motivation, Leadership and the building of social capital. Social capital can be an important resource as was discovered in 2013 by the Bank. In 2008 when the banking crisis first occurred Northern Rock was an established bank with a strong customer base. Northern Rock was the first bank to become a

casualty of the crisis and there were queues of customers lining up to take out their money in a run on the bank that only direct government intervention and guarantees stopped. In 2012-13 when the Co-operative bank suffered catastrophic financial problems there was no such run on the bank. The bank lost none of its customer base and this might be seen in part as being due to having built up significant social capital through the ethical policies of the bank. Social Capital impacts brand value and a strong brand helps to differentiate services and products in a way that weaker brands cannot compete with. The Co-operative movement is generally held in high regard and this no doubt contributes to the social capital (Myners 2014). The measurement of activities was not seen as being as important by LCS as by the bank and Boots and several comments were made by Boots staff to reinforce this.

'people need to understand what we are doing – if they cannot see what we do they are likely to assume that we do nothing whereas others are much better at communicating their activities and this is problematic as we lose goodwill if that is the case' Store manager Leeds.

All three of the organisations studied and each of the different divisions were of the view that there is a strong business case for behaving ethically and operating in a socially responsible way. They all understand the importance of financial success and the fact that it underpins all other activities (this includes the bank even after its recent financial problems) however the Investor Owned nature of Boots means that the need to sustain competitive advantage and the maximisation of shareholder returns is a significantly more important driver that was noted in either of the other two organisations. In a review of extant research, Kolstad (2007) noted it is wrong to conclude the relationship between CSR and profitability is a positive one, again citing a mix of positive and negative research findings as well as highlighting methodological flaws leading to overly positive results. Using a broader range of metrics Saeed & Arshad's (2012) review of studies assessing the links between CSR and corporate financial performance concluded that CSR investments tend to deliver greater financial returns to organisations, in terms

of marketing and accounting measures. The business case for CSR would, on balance, appear to lack clear evidence for or against. In a similar way to studies that have tried to identify correlations between a 'healthy culture' and business success the problem of isolating the specific caused mitigates against any clearly identifiable links – although clearly the staff involved in the organisations find their CSR activities and organisational values to be hugely important and identify strongly with them.

7.2.8 Culture and Leadership

Schein (2010) explains that 'when we are influential in shaping the behaviours and attitudes of others, we think of that as leadership and are creating the conditions for a new cultural formation'. He further states that 'in this sense, culture is created, embedded, evolved and ultimately manipulated by leaders....leadership and culture are two sides of the same coin'. Schein (1995) defined organizational culture as a "set of beliefs, values, and assumptions that are shared by members of an organization." (Schein, 1995). These values affect organizational behaviours as members rely on such beliefs to tailor their work habits and conduct (Schein, 1995). Schein suggests that culture can be viewed on three layers.

Values – these are often explicit and can be written down. All three of the organisations could direct staff to some form of codified values statement

Beliefs – these are more specific and can be identified by the view of staff on issues faced. This manifested itself in the research though the belief that certain sectors are undesirable as customers in the Bank or in the case of LCS by the member-centric approach

Behaviours – these involve work routines and how work is controlled as well as softer behaviours and can give the basis of a people based competitive advantage. Staff in all three of the organisations studied were of the view that their behaviours were strongly influenced by the organisational values

Schein further identifies that culture exists at three levels within an organization

Artifacts consist of tangible, overt or explicitly identifiable elements in an organization that can be seen by external stakeholder. This took the form of sustainability reports and ethical codes published and obvious to see. The Bank used these to a greater extent than did Boots or LCS

Espoused values are the organization's stated values and rules of behaviour. It is how the members represent the organization both to themselves and to others. These might be expressed in official documents or in public statements that highlight 'who we are and what we are about'. In the case of the businesses studied these were clearly evidenced in the sustainability reports that were a cornerstone of both the Bank and Boots corporate communications and in the 3Es from LCS

Shared Basic Assumptions are the deeply embedded, taken-for-granted behaviours which are may be unconscious, but constitute the essence of culture. In all three organisations there were very clear shared basic assumptions around doing business in an ethical way and ensuring that the organisational values were not simply espoused but were also enacted and were understood with some degree of consistency throughout the organisation. The culture of all three organisations was to a lesser or greater extent underpinned by ethics and CSR activities were seen as an outward manifestation of their values.

Leadership was seen as being an important part of the process of developing a culture where CSR and values were seen as being an important part of the organisational context.

Bolden et al, (2003) and Harris & Spillane, (2008) discuss the benefits of distributed leadership. Distributed Leadership recognises that there are multiple leaders and that leadership is a shared activity which focuses on the

interactions rather than the actions Harris & Spillane, (2008). Distributed leadership has been identified as having a positive impact on organisational culture and in the ability to deal with organisational change and can lead to improved performance (Harris and Spillane, 2008). In all three organisations the importance of leadership in setting direction was noted however the structure of the Co-operative bank and the failure of the top team leadership was highlighted by Myners (2014) as being problematic and indeed was seen as being one of the main causes of the Banks near collapse with unqualified people finding themselves in key decision making and governance roles within the bank.

Kouzes and Posner (2011) give one of the key activities of successful leaders as being 'modelling the way'. In the Bank this was clearly not always the case – although Myners did not suggest that all of the banks directors were culpable there was a clear failure of leadership. Boots and LCS both evidence the impact of strong leadership from the senior team but more importantly a culture that is premised on leadership at all levels. This is seen clearly in the Member Groups who are so important to LCS but also Boots evidenced it clearly through their activities where there was no sense of positional leadership in driving these activities – however there was a sense of input from experts within the business units. This meant that for example the environmental team would, regardless of position, be the team who set the policies for environmental targets and their carbon KPIs

Neither LCS nor Boots showed any evidence of a need for Transformational leadership. Transformational leadership suggests an inspirational and motivational style and leadership who engage their followers using charisma and vision to provide meaning, purpose, and direction, described as "heroic leadership" (Fletcher, 2004), with its emphasis on followership rather than leadership (Gronn, 2008). Charismatic or heroic leadership has been seen in recent years as being associated with corporate scandals and mismanagement (e.g. RBS and Enron) however both Boots and LCS have strong senior leadership teams that the employees trust and have confidence in. Both of these organisations ensured that they had a suitable skills mix on

their board – the lack of this could be the source of the problems for the Bank.

7.3 Key Points from the research

The key points from the research are summarised below

7.2 Summary of Research

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| <p>How is CSR interpreted by employees to create meaning? <i>The Literature reviewed in Chapter 2 suggested that sense making is a retrospective process using symbols and objects (Weick 1995, Blumer 1969) and that Sense-giving Maitlis (2005) can help to develop a rich and unitary perspective</i></p> | <p>Whilst there is no one way that sense is made of the construct and staff from each organisation use a number of sense making structures there is no doubt that a combination of Symbolic Interactionism and a more Weikean retrospective approach to sense making was noted. The role of ‘sense-giving’ by the organisation was important in this regard and in the two organisations where sense-giving was based on a simple yet effective metaphor or ‘object’ then the process could be better aligned to the organisational aims and objectives. In addition this gave staff a clearer understanding of what CSR means and of the logic behind the activities. The activities themselves helped with the sense making process and the level of affiliation and integration was seen as an important way of adding credibility to them.</p> |
| <p>What are the benefits of CSR? <i>There can be business benefits (Hopkins 2003) to CSR however these can be difficult to quantify and qualitative benefits are more common. These include employees motivation, social capital and brand value (Interbrand 2013, NEF</i></p> | <p>The benefits of CSR to the organisations were defined in a number of ways. The Bank were leaders in quantifying the impact that its ethical trading had and it can reasonably be argued that the social capital it built through its ethical stance has had an important mitigating factor on the recent problems that it has experienced. LCS and Boots do measure some of the impacts e.g. Carbon footprint and though use of LM3 LCS can estimate the benefit to the local community. All of the organisations can identify the amounts of money that their activities raise for ‘good causes’. The</p> |

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| <p>2013)</p> | <p>activities that were recognised as ‘strategic CSR’ had an enhanced benefit to the organisation by helping to reinforce the organisational values and culture. These activities that evidenced high affiliation and high integration reinforces all three levels of Schein’s definition of culture and were universally identified as being of greater value by employees at every level of the organisation. Again the importance of sense-giving was noted and this guided sense making was seen as important by most of the employees. That there were some quantifiable benefits was clear however there was a stronger sense of a more qualitative benefit being the norm – to the extent that in several cases a quantitative view of CSR was seen as contributing to the whole notion of ‘greenwashing’ These benefits were much more closely aligned to the more qualitative WEF measures (see chapter 2 section 2.8.). One of the key benefits noted was in the ability to use CSR as a way of ‘prospective sense making’ the process of sense making is often viewed as a retrospective process however CSR and the notion of creating shared value allowed staff to develop a view of a preferred future that they could work with the organisation to realise.</p> |
| <p>How is it defined? <i>There is no single agreed definition however those of Carroll (1979) Drucker (1984) EU (2002, 2011) and Porter and Kramer (2011) were the most commonly understood,</i></p> | <p>The definitions of CSR were generally influenced by the organisational paradigm. For the Bank and LCS there was a view that CSR was an add-on and as such not relevant to them as they had ethical business as an integral part of their Co-operative values. Boots on the other hand had a more traditional view of CSR as they were aware of the need for shareholders to receive a return on investment. LCS, despite being uncomfortable with the terminology exhibited a clear</p> |

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| | <p>alignment to the Porter & Kramer (2011) notion of shared value, Boots defined it in much more traditional CSR terms of the integration of social and environmental concerns on a voluntary basis (EU 2002), while the Bank tended towards a broader definition base around the Co-op values and principles but contextualised by their stakeholder engagement. This made definitions more complex and at times less clear.</p> |
| <p>How is it operationalised to create shared value? <i>Porter and Kramer's (2011) notion of shared value would appear too narrow and prescriptive although in the smaller organisation it was evident as a central element of the culture</i></p> | <p>The notion of shared value differed from organisation to organisation. Clearly LCS saw shared value as being the underpinning strand of everything that they do. Boots had a slightly different perspective on it and whilst they were clear that they created value by 'doing the right thing' and they were aware of their duties to a wide range of stakeholders they saw shared value as being a result of underpinning financial success. The Bank was more focused on the groups of stakeholder who helped to define their ethical policies and was less focused on the creation of shared value for a wider group.</p> |
| <p>What is the impact of structure? <i>The structures outlined in table 2.3 were of less importance overall than the culture and values of the organisations however in the case of the local Co-operative it did serve as an object in the SI process</i></p> | <p>Whilst the impact of structure is seen as being fundamental to the success of LCS. This was not noted with the other two organisations and indeed the longitudinal nature of the study would suggest that structure is relatively unimportant in the ways that CSR can add value to an organisation. Boots transitioned from PLC to Private Business then was taken over by a US corporate – this had no significant impact on the culture, values or CSR activities of the business. This was seen by staff as being due to a strong extant culture and well established and embedded values. LCS was of the view that structure</p> |

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| | <p>was fundamentally important to their activities and defined who they are as an organisation however this was also noted in the early interventions with the bank but when later engagement took place just as the scandals were breaking there was a noticeable drop in this view This suggest that structure might be a hygiene factor or supporting mechanism in this regard as opposed to a motivator or driver</p> |
| <p>What factors impact its credibility? <i>The measurement systems outlined in Chapter 2 impacted credibility as did the adoption of a clear stakeholder approach (Freeman 1984)</i></p> | <p>There are a range of factors that impact the credibility of CSR in all three organisations. Firstly there is an alignment between the rhetoric and the actions of the organisation. In addition there is a strong sense that the leadership team are acting in the best interest on both the society and of the local community (or not in the case of later interviews with the bank) however there was clear impact noted in the Alignment/Integration matrix with the higher levels of both creating more credibility and buy in.</p> |
| <p>What is the role of leadership? <i>Kouzes and Posner (2011) discuss the importance of leaders 'Modelling the Way'. This was important as was the ability of leaders to take part in the sense-giving process (Maitlis 2005)</i></p> | <p>Leadership is important in the creation of shared value within all three organisations. Where high levels of trust were noted between staff and senior managers this provided a guiding coalition for the development of CSR and in helping a culture based on values and ethical practices. The key factor in this was the senior leaders and managers were seen to be 'modelling the way'. This added much credibility to their role and this resulted in a much greater level of buy in from staff and helped to develop a sense of direction. Importantly a more distributed approach to leadership saw a more empowered group of staff who felt a stronger sense of ownership of the values and culture.</p> |
| <p>What is the relationship with organisational culture?</p> | <p>All three organisations felt that they had a strong and healthy culture. Clearly recent events at the Bank are</p> |

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| <p><i>Schien (1995, 2010) discusses the organisational paradigm and this was underpinned by values in all of the organisations. The stories and narratives (Johnson and Scholes 2011) were an important part of the cultural web as were the more symbolic elements that underpinned the organisational culture.</i></p> | <p>likely to have significantly impacted this however there can be no doubt that the ethical banking stance taken by the bank over a period of 20 years helped to develop a unique culture. The problems of the last 2 years have impacted this however the Bank started from a position where ethical banking was at its heart and this is still part of the Banks dominant narrative. The culture in LCS is underpinned by a consistent narrative around the importance of members and the engagement with the local community and Boots staff are of the view that their values are the constant that ensures the changes of ownership have no negative impact on the organisation. This helps to ensure stability in times of great turbulence where other organisations might have found the chances of ownership destabilising Boots have managed to process with ease. This also suggest that CSR can help an organisation to deal with change – by maintaining a systems approach to the organisation and by working with a wide range of stakeholders</p> |
| <p><i>Sense making and the CSR Matrix. The CSR Matrix introduced in Chapter 3 and applied to all of the cases and again used as a summary tool in Chapter 7 Fig 7.2 has proved to be a powerful framework for helping the sense making process and in identification of the core capabilities that the organisations possess</i></p> | <p>Sense making structures and guidance would appear to be a fundamental need for employees within organisations. The research did not identify a single generalizable tool or technique for doing this however it did identify that the process is complex and the benefits of the organisation in supporting the process can be significant. The notion that sense making is always a retrospective process was challenged and was found insufficient to explain that ways that CSR can be used as a tool for prospective sense making to help inform a vision of a preferred future. In this sense the CSR matrix introduced in chapter 3 and applied throughout the research is an extremely useful and</p> |

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| | <p>innovative tool. It encourages a rigorous reflection on the fundamental values and strategies of both the individuals and of the organisations. This in turn will inevitably help in the sense making process and will enhance understanding and improve the benefits to the organisations. In addition the CSR matrix allows organisations to identify the core capabilities that they can use to create shared value. The main criticism of dynamic capabilities is that they are vague and difficult to define (Johnson et al 2014, Teece 2009) however by a focused application of the CSR matrix the activities that evidence these capabilities will be revealed so that they can be more easily identified, developed and managed.</p> |
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7.4 The Research Questions

This section considers the research questions asked in chapter 1 and provides the answers to them in a succinct and explicit way

RQ1 – What does CSR mean to staff within organisations

In conclusion we can see that the creation of shared value through CSR is important to the markets that both Boots and the Local Co-operative serve. The large financial co-operative did not seem to have the same sense of purpose in the creation of shared value rather it was focused on an external set of ethical principles that it felt were more important to its context and the market that the organisation served. What is clear is that shared value is created in a range of different ways and that CSR is both important to staff and is seen as being a key part of the organisations culture. This takes place in a range of different ways and is interpreted and made sense of by staff in a range of different ways – however the ability to understand the rationale behind any initiatives and the importance of alignment to organisational values was clearly required

RQ2 – How is sense made of the construct?

Sense making is a complex process and is done by a combination of Symbolic Interactionism, Retrospective Discourse, Prospective Visioning and the levels of Sense-giving noted by the organisations. Of all of these processes the two most important were the use of Objects in Symbolic Interactionism terms – both abstract and concrete, and the level of sense-giving that the organisation engaged in. The simplest objects are the most powerful in the process and staff look for cues as to how best to make sense of CSR.

RQ3 – What are the benefits to the organisation?

CSR means a wider range of different things to staff within the participating organisations. Different people at different levels interpret the construct in a different way. Many of the reports and studies into CSR focus on making a business case. Hopkins (2003) notes the difficulty in making a quantitative business case for CSR as correlation between CSR actions and any of the measures previously noted does not necessarily mean causality. Indeed it would be expected that any of these measures, or any other measures that might be considered, are the result of a complex variety of interdependent and independent variables. Hopkins (2003) does however assert that there are significant qualitative arguments linking CSR to the business case, a view supported by the World Economic Forum (WEF 2010) some of which can be partially, if not fully quantified. These include Brand Equity, Access to finance, Employee Motivation, Innovation and Risk Management. The research supports this in that it clearly impacted employee motivation and in many cases, particularly in the environmental initiatives identified there was clear evidence that innovation had improved directly due to some of the initiatives. The impact on brand equity was clearly identified in other initiatives where external stakeholders were engaged, although in all cases employees worried about the perception of exploiting the initiatives for commercial gain. This is not to suggest that there is no place for organisational alms giving or one off events, however the research suggests that significant value can be added to the key stakeholders of the organisation, the cause and the staff, by ensuring alignment to the organisation's values and strategy. That said the one off events are seen as being necessary as refusal to support local one off causes can have a very negative impact on the local communities' view of the business.

RQ4 – How does structure impact this?

Structure is of limited impact in term of CSR. It might be seen as an enabler however even this is questionable. Structure impacts the governance

systems of an organisation (as was seen in 2.5.5) and this was identified by Myners (2014) as being a contributory element of the Co-operative banks problems. This is in contrast to the benefits that it brought to them in their earlier stakeholder engagement process. It was useful to LCS as it provided part of their dominant narrative as to their organisational purpose however it was of no relevance to Boots who changes structures on several occasions during the research. It would therefor appear that where structure can be of use is that it can contribute to the stories and narrative that forms an important part of the organisational culture. The fact that different people in an organisation make sense of and define CSR depending on the lens that they perceive it through means that a wide range of definitions and understandings are likely to develop. Structure can help to give a level of consistency to these. The changes experienced by Boots shows that structure need not limit the extent that organisations engage in ethical practices as they transitioned from Plc to Private Limited Company to part of a Global Multinational Enterprise

7.5 Contribution

Part of the essence of a doctoral these in its contribution to the body of knowledge. This thesis makes this contribution in several ways.

| Contribution | Evidence |
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| Definition | We can see from the research that there is no single definition of CSR that is prevalent however the two most compelling definitions are the EU 2002 definition and the newer Shared Value definition. The lack of a clear definition was not seen as being overly problematic although and the range of definitions was impacted by the position in the organisation or membership of communities of practice |
| Sense making | To date there have been many papers written about CSR, the benefits of it to brand and the |

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| | <p>perspective of customers however the processes that staff go through to make sense of this most complex construct has not been researched. There was a feeling that people would not engage in activities that they did not see as relevant however the sense making process and its close link to CSR activities show that this is not the case. Where an organisation influences the process via guided sense-giving then staff are likely to understand the logic for a much broader range of meanings. The objects that they use and the use of stories, narratives and language are key to this process and provide the objects – both concrete and abstract – to better align the process to organisational goals</p> |
| Activities | <p>The range of activities that staff feel are relevant varies from organisation to organisation. There is a strong sense that activities that are aligned to organisational purpose, mission and values (integration) combined with a strong sense of value for the staff (affiliation) are seen as being of higher value than what were often defined as ‘after tax’ activities</p> |
| Structure | <p>The early research suggested that organisational structure played an important role in CSR, activities and values. The longitudinal nature of the study showed that this was less important than was originally thought and that whilst there were some benefits to the Co-operative structure at a local level at a national level this was of much lesser impact. The journey of Boots from Plc to private business and part of US corporation showed that with a strong base and determined leaders that</p> |

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| | changes of structure could easily be navigated successfully |
| Leadership | The role of leadership in the process is significant. Strong leadership was noted in both Boots and LCS however the Bank was identified as having strong situational leadership but relatively weak top team leadership |
| Benefits | There are significant benefits to placing CSR at the heart of the organisation. Social capital is built not only relative to external stakeholders but also but employees. Benefits include motivation, engagement and an enhanced ability to deal with change. A strong set of values provided an anchor during times of change and turbulence. Further they allowed for a sense of direction and encouraged the prospective sense making that gave staff a view of what a preferred future might look like |
| Methodological Contributions | Grounded Theory (GT) has been used previously to investigate CSR however this has been done to examine the links to external measures and benefits – not to develop case studies that give insight into how meaning is developed and how the construct is operationalized. This research has demonstrated that GT is the most appropriate method for investigating this construct and gave a level of insight into the way people create meaning in a way that would not have been possible by any other method. In addition the longitudinal nature of the research has allowed for a level of understanding of how changes in all of the individual factors impact the creation of meaning and the benefits that the organisations can accrue |

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| | from CSR and from a strong set of values and guiding principles. |
| Practitioner Contribution | <p>The CSR matrix introduced in chapter 3 and used throughout the research has proved to be an extremely useful and innovative tool. This matrix give practitioners a clear and concise tool to identify the key elements of their organisational strategy and culture (Johnson et al 2014) that are likely to impact the ways that individuals make sense of CSR within the organisation. More importantly one of the recent criticisms of the theoretical underpinnings of creating shared value (Crane et al 2014) is that it is a very vague construct. The CSR matrix gives practitioners and managers a tool by which they can categorize and classify their activities. This will allow organisations to quickly identify those activities that might be termed 'Strategic CSR' which in turn are likely to be the activities that reflect the core organisational capabilities that are central to the ability to create shared value. This tool is easy to understand and is likely to form the basis of Executive and Senior Management Development Programmes in organisations where a strong sense of values and the desire to create shared value are seen as important. Such organisations have already been identified as likely to outperform competitors and to provide superior returns to investors (Collins and Porras 2008). Practitioners can use the tool as a framework to categorise the activities that organisations engage in, however at a more strategic level the framework encourages a rigorous reflection on the fundamental values and</p> |

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| | strategies of the organisation and the values of the employees. |
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7.6 Final Thoughts

From a sense making perspective it became clear that to some extent the Weickian view (Weick 1995) that people make sense by discussing and by written documents does hold, but what did transpire was that people make sense in their own sphere of interest initially then may look further afield to ascertain a wider boundary and this would seem to support the Symbolic Interactionism perspective. Thus we have front line staff viewing the benefit fund first and foremost as an indicator that the company does put its employees needs high up the agenda, and then some time later considering the implications of climate change. This is contrasted with environmental managers who all had a similar view of the challenges of climate change, or supply chain managers who viewed the impact that stimulating the market has not only on the organisation but in the wider community that they serve. These groups may not have been aware of initiatives such as those that the front line staff might engage in. This would not be seen as particularly surprising as it might be expected that initial discussions take place with immediate colleagues.

Dominant Logic

Bettis and Prahalad (1995) suggest that organisations use dominant logic to help them filter of funnel information in order that it becomes intelligence 'attention is focused on data deemed relevant by the dominant logic....data are filtered by the dominant logic and by the analytic procedures managers use' (p.7) This suggests that frames of references impact what people see and how they interpret and ascribe value to activities. The process for this is partly informed by Symbolic Interactionism and partly by the Weickian (Weick 1995) retrospective sense making process.

The notion of future oriented sense making appears in the Strategic CSR box in the activity matrix. Many of the initiatives identified here were focused on creating a 'better' future, so that one business used it not only to promote good work done by their staff, but to ensure that behaviours and practices that they felt, in conjunction with their stakeholders, helped to create a better future both in the UK and overseas were given a platform.

The research suggests that, whilst there is evidence that people construct CSR relative to their own personal value system, this is significantly influenced by their frame of reference, which they usually take from their peers and the organisation. All of the evidence points to the added value that people feel when they can relate the initiatives not only to their own personal values and experiences, but can also frame them in a way that is aligned to the organisations values and again this is helped when the organisation gives a clear sense of purpose as to how the initiatives create shared value in the community and markets. The research did not find evidence that CSR or the idea of shared value is more easily adopted by top managers than by line managers and their personnel nor that line manager's focus only on their day-to-day performance and the financial bottom line (Cramer et al 2004). That said there was a noticeable difference in the language used by different groups to communicate the process – senior managers and communities of practice tend to use the language of CSR, whilst others simply talk about 'doing the right thing'. People at all levels of the businesses researched were very positive about the range of CSR activities although in many cases they did not use the language of CSR simply referring to them as 'doing the right thing' or 'the activities that make me proud to work here'. Thus the ability of organisations of any kind to apply CSR in the creation of shared value and thus to impact the markets that they serve must be carefully managed

In most cases the language of Weick has been useful but limiting – sense making relative to CSR is not simply a reactive and retrospective process and indeed the most beneficial forms of CSR would appear to fall into the category of strategic CSR which are often positioned as future oriented CSR. This suggests that whilst there is clearly a process of sense making going on,

it is not always in the fashion prescribed by Weick. That said the process of communication was seen by most as a vital part of the CSR process – and by extension as a vital part of the sense making process – which would be aligned to Weick’s perspective on the topic however the importance of Symbolic Interactionism is of more importance to the process

7.7 Limitations of the Study and Possible Future Developments

In common with all research, but perhaps even more so at this level of professional and academic research, there are inevitable limitations to the study. Whilst these limitations do not detract from the validity and reliability of the study (as outlined in chapter 3 section 3.7) it would be remiss not to acknowledge them and to consider some of the difficulties that conducting a longitudinal study of this nature involved.

7.7.1 Research Boundaries

The focus of this research was to gain insight and understanding of the uses and benefits of CSR in an organisational setting as perceived by the staff in the selected organisation. The study sought to identify their understanding of the construct and the ways that they made sense of CSR. Academic literature suggests that this type of research lends itself best to exploratory qualitative research. Case study, interviews and text analysis have been shown to be effective ways of gathering significant data rich in detail about a specific subject area (Silverman 2011, Saunders et al 2012). Given this approach clear research boundaries had to be set and whilst some guidance was available from previous work (Lindgreen et al 2010) the limited nature of these studies meant that the process of boundary setting had little extant literature to give guidance. This meant that the research took as its focus the subjective views of a wide range of staff from participating organisations. Whilst this may be seen as some limitation especially relative to generalization, the careful and detailed analysis of the data using constructive grounded theory sought to address this limitation but the rigorous analysis of all of the data.

7.7.2 Multiple Cases

As the thesis was concerned with examining the creation of meaning across a number of organisations it was felt that multiple case studies was an appropriate way of investigating the research questions. Yin (2014) suggests that when using case study the selected organisation should be examined from all angles and aspects. The study did not adhere rigidly to this and considered the cases only from a single group of stakeholders – the staff. The cases might have been built using a broader group of stakeholders to give more insight however this was not felt necessary as the research questions were specific to the members of staff. This might, however, open the possibility of future research where this wider group of stakeholders is engaged with and for example where the companies have had new owners (as in the case of Boots and the Co-operative bank) it could form an update of the research.

The use of only 3 case studies might be seen as a limiting factor on the research, however in common with many similar studies this one suffered from resourcing challenges especially related to the time and the competing priorities that the researcher faced. This meant that the process outlined in section 3.5.5 became an extremely important part of the research design. This ensured that the selection of the cases was likely to yield the richest level of data however there is an obvious criticism that additional cases would have been likely to give additional insight and indeed alternatives to the cases selected might have led to different insights being identified. All methods and methodologies have inherent limitations and consideration of the limitations of case study were outlined in section 3.6.2. Much of these revolve around internal and external validity however as was evidenced in section 3.7 all efforts were taken to ensure that these limitations were minimized.

7.7.3 Grounded Theory

Grounded theory itself is not without its critics and as was shown in section 3.5 these tend to focus around data credibility, analysis credibility and theoretical credibility. Each of these were dealt with in section 3.5 however

the criticisms of Grounded Theory tend to revolve around what constitutes solid credible data (Corbin & Strauss 2008). By using a range of data sources over a significant time period the credibility of the data was enhanced and as over this time period the same themes were identified repeatedly this again enhanced data credibility and again section 3.7 dealt in detail with issues of validity and reliability.

7.7.4 Longitudinal Studies

A final limitation is around the nature of a longitudinal study. These studies are subject to external factors that can be difficult to predict and can change the research landscape dramatically. Such a challenge occurred in this project when firstly the global recession and then the banking crisis had a significant impact on one of the cases. The Co-operative bank has emerged in a radically different structure than at the beginning of the research. That this had an impact is inevitable however the impact was lessened as organisational constitution was only a part of the research and the research had been completed by the time that the crisis occurred in the bank. The impact that the crisis and the change in ownership structure had on the bank would make for a most relevant future study allowing for a direct comparison and contrast with the impact that a change of ownership had on Boots.

This research has focused on the period 2006/7 until 2012/13 however for all of the organisations involved this is not the end of their story. Boots have to be integrated into the Walgreen business, Co-operative Bank is in the process of being restructured in a most fundamental way and LCS is partnering with the University to regenerate the city of Lincoln and to grow the city through the Innovation and Science Park. There initiatives give scope for further study and contact has been maintained with the organisations to ensure that these developments can be tracked and researched.

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Appendix 1: Sample Open Codes

These codes stem from interviews A1 (See appendix 2 for full transcript) and were coded A1.1, 1.2 etc

1. Org Culture
2. Strategic Pillars
3. Define and develop values
4. Aims
5. Trust
6. Culture Building
7. Fear of Change
8. Structure
9. Drive to change culture
10. Inspiring people
11. Belief in aims
12. Turbulent market
13. Strong leadership
14. Complex organisation
15. Measures
16. Employee satisfaction
17. Engaging staff
18. Legacy Systems
19. History and Stories
20. Responsibility for customer health
21. Identity
22. Local and global responsibilities
23. Business benefit of values
24. Clarity of purpose
25. Understanding values
26. Model behaviour
27. Reinforce values
28. Customer focus
29. Integrity
30. Hearts and minds
31. Positive place to work
32. Brand
33. Strong senior leadership
34. DNA
35. Custodians

36. Guidance
37. Who we are
38. Brand and image
39. Range of activities
40. Reading Project
41. External accredit BiTC
42. Measures and Benchmarks
43. Discretionary effort
44. Environmental Impact
45. Impactful activity
46. Strategic Fit
47. Link with values
48. Culture
49. Reinforce values
50. Affiliation
51. Balance between quantity and impact
52. Strategic Links
53. CSR and PD

Appendix 2 – Example Open Coded Interview

Interview with Stewart Branch OD Director

My current job is director of organisational development, which means that I have responsibility for the culture, climate, leadership, the mission, purpose and values of the organisation, I have responsibility for diversity, including the cultural tenet of the organisation **A1.1 (org culture)**, the learning and development of the organisation (management development, will leadership development and core capability). This leads into living together, which is one of the strategic pillars **A1.2 (Strategic Pillars)** the organisation also in the issues such as succession planning and graduate programmes. I have been operating in this role for eight months, which is the length of time that I have been with the organisation. The challenge and key issue is the current culture of boots. We are clearly defining ourselves in terms of our mission purpose and values **A1.3 (Define & develop values)**. So we are much we are much clearer now about our mission to be the worlds best the health and beauty retailer. The purpose of which is to make our customers look and feel better **A1.4 (Aims)** than they ever thought possible delivered through our values of trust (trust, respect, understanding, simplicity, togetherness) **A1.5 (Trust)** and our culture journey that we have spent some time with the Exec on, and we have started to spend time with the senior management group. We will deliver a mission purpose and values of being much more customer led with a can do winning attitude and with a culture of never being satisfied. So, the relentless demand for more. That culture journey **A1.6 (Culture building)** is new to many people at boots and that is taking a little time of their people to understand interpret, and then get into new ways of working. I think there is a small element of people who are longer serving to boots, who have more emotional attachment to the organisation and the past, **A1.7 (Fear of Change)** I know there are certain that the other people, who feel that this new cultural journey is more retailing, more commercial more cut threat and there are some people who are concerned about the heritage of boots and what boots stands for and they might be at odds. I think that there probably is a correlation between length of service and that feeling, but I don't think it's just about length of service and age, but it's much more about what does boots stand for today, what is its future and people making sure that they understand that and what that culture journey is going forward.

I came into Boots because the job that I do, OD, you want the organisation to be on the cusp of some change and Boots is absolutely on the cusp of change. It was pre merger with Alliance and none of us knew about the bid to take up private with Stephano and KKR **A1.8 (Structure)** but that's where we are. There's a level of organisational merger and integration to go into,

there's a level of culture that had been started for a couple of years but if you're going to change organisational culture it takes longer than a couple of years to do **A1.9 (Drive to change culture)**, so there was a lot of fertile ground for me to get into to do the job that I tend to do. There was also an element of getting back into retailing as I spent time with Whitbread, and also getting back into a large organisation and my reporting lines as my direct boss was inspiring to me and my boss was inspiring **A1.10 (Inspiring People)** to me and my previous boss had stayed with the organisation and reports directly into Richard Bacon, so I've got a natural mentor there, and Boots is such a fantastic name, and one of the things that I was aware of before I joined and means more to me since I have joined is that the purpose of the organisation really gives me purpose in living my life as well as doing my job. It runs the risk of sounding very trite, but it's not. I genuinely get up each morning and think I'm part of an organisation that is helping customers look and feel better than they ever thought possible **A1.11 (Belief in aims)**, and that's quite inspiring.

It is currently a demanding environment **A1.12 (Turbulent market)**, a lot has been happening in the last few months. The leadership role of our leaders **A1.13 (Strong Leadership)** in the business is being tested, and that's a good thing, we are having a very successful time so it's a buoyant time. There are a lot of people feeling really good about what we are achieving in terms of sales and customer service and figures as well. The organisation from a H.O point of view is more bureaucratic than I thought it would be **A1.14 (Complex Organisation)**. We have an employee opinion survey called the great place to work survey and we score very high. We externally benchmark **A1.15 (Measures)** our results and within our results questions like, do I have the opportunity to do what I do best every day, do I have enough training to do my job, does my line manager give me praise and recognition for work well done etc, we score very highly **A1.16 (Employee Satisfaction)**. One of the lowest scoring questions is Q3; the way things are done at Boots allows me to do a good job, that is the lowest scoring question. The survey is across all 65,000 employees, the low score comes from Nottingham – from this campus, so the way things are done at Nottingham is the lowest scoring question but not necessarily at all of our scores but it is still the 3rd lowest scoring question across all 1400 of our stores. I think we are getting better at creating mission/purpose/values that engage people **A1.17 (Engaging Staff)**, I think we are getting better at creating the purpose and vision of what people are working towards, but the way things are done in terms of systems, processes, policies, procedures still needs a significant amount of progressing **A1.18 (Legacy Systems)** I think there is a very good intranet that is massively overloaded with out of date information, I think you can find

a process document – probably 3 or 4 that are different so there is a lot of conflicting information in the business. There is an element of the healthcare, science based business **A1.19 (History and stories)**, people talk about how, 5 years ago, it was filled with pharmacists in fact Oxbridge pharmacists and has always been a slow considerate conservative organisation that analysis and data rational is king. If I look back at my previous organisations, it's nowhere near as bad as financial services was, in fact it's quite liberating compared to financial services but it is quite slow and analytical compared to somewhere like Whitbread where I was, so there is more work for us to do on that and more opportunity. I think there is an element of being a healthcare organisation, being a regulated organisation and the products and services that we are dealing with carry a great deal of responsibility with them **A1.20 (Responsibility for customer health)**. On a continuum of gung ho at one end and over analytical at the other end we're probably slightly on the analytical end but it's not surprising. I wouldn't say there's a huge amount between the new and old groups but the responsibilities that people feel.

I would define the values **A1.21 (Identity)** as healthcare is serious and meaningful would be a value that I would associate with this business. I would say that being fair to people and recognising that people have lives is a value of boots – both employees and customers, I would say caring for the community in local and the global **A1.22 (Local and global responsibilities)** sense is something I would associate with Boots, moving much more towards customer care/customer service/customer expertise and being commercial is something that I would say is a fast moving trend that we have in the business. We're not there yet but people are getting the message that this is what we are about. In the past I'm told that if you look at the pattern of the Boots Plc performance – the share price, the profit, the loss the customer service etc, if you look back at history people say that there is a direct correlation between the times where the business was clear about the business **A1.23 (Business benefits of values)** stood for, what it was trying to achieve and its values, where customers were in that priority, where retailing and shopping was in that kind of thinking **A1.24 (Clarity of purpose)**. There is a correlation between that and the business performance. I can't say I've analysed and researched it but that's what I'm picking up.

I know what the values **A1.25 (understanding values)** are because it's part of the job I do. I form part of a leadership team where the way they behave **A1.26 (model behaviours)** will have more meaning to the 65,000 people that we employ and to our customers, that will our written documentation says. Having said that part of the way that our leaders behave is about the

policies, procedures and documentations that we have in place. It's about which of those procedures, ways of working are espoused and acted on, so how do I know that they are the values that I attribute to Boots other than the prescribed Trust values, it's because I see it and feel it **A1.27 (reinforce values)**. It's what I read as the constant messages from Richard Bacon the CEO and the MD, it's what I believe and see from my top exec and what I hear and see the organisation trying to reinforce by communication, ways of working briefings and where much needed improvements are made to policies, procedures and ways of working.

The main dos and don'ts are the espoused one coming from the leaders that will become the dos and don'ts – but we're not there yet. The espoused ones are get close to customers, make sure what you do is customer driven **A1.28 (customer focus)**, make it simpler for stores and make sure that this organisation is putting customers first in everything we do. It's about expert customer care and being true to our values, so acting with trust, acting with integrity **A1.29 (Integrity)** acting with responsibility acting with understanding of our customers. It's about not asking for permission to do stuff, having responsibility and achieving more through the engagement of people. We've spent a lot of time and money developing the leadership skills of capability people, and that leadership capability is the current thinking of leaders at all levels. It's leadership by the practice and is not position. It's about engaging people in the vision of what we are trying to achieve and engaging them **A1.30 (hearts and minds)** emotionally in what we are trying to do. The don'ts are the opposite. Don't do management by committee, don't procrastinate don't over analyse don't manage by attendance – manage by the contribution that they make. I think there are still espoused and I genuinely believe that they will become the culture. I still see lots of meetings, and lots that have good meeting process management that are reasonably good at reviewing the minutes of the last meeting, having an agenda and scoring the meeting at the end etc, but how much of that is in place of content and decision making? I see a level of reporting that doesn't inform decisions – which ties back to Q3 in the survey. I don't see a lot of removing of bureaucracy so there is quite an acceptance of the level that we live with, and if I'm entirely honest I've fallen into that myself. I might find 2 policies that contradict themselves on the intranet and bitch about them to a couple of colleagues and I'm quite ashamed of myself for doing it but I do see and hear what I'm talking about where actually action would be better.

I'd tell a new recruit that this organisation is going places **A1.31 (positive place to work)**, it is absolutely focused on the future, it is a long term growth

organisation, its market place in terms of healthcare first and a pharmacy led UK retailer of health and beauty is very well placed in a growth opportunity. I tell them it's a fabulous brand that **A1.32 (brand)** the recognition levels of the brand is unbelievable, I'd say it has got a fantastic leader **A1.33 (strong senior leadership)** in terms of Richard Bacon and Scott Leaway, for new starters I would talk to them about the heritage of the company – the DNA **(A1.34 DNA)** of the organisation is hugely important. We feel that we are the inheritors of something special **(A1.35 custodians)** and with 19 million customers per week the behaviours of our staff are hugely important – we don't just sell products it's very much products plus advice. **A1.36 (guidance)** I'd say don't expect it to be right now but be prepared to be part of the success that it is going to be. I think different outside stakeholders would say different things. Repeating back what I've heard and read – customers love boots, think it's a bit overprices at times but is getting better, customers say we are getting clearer on what we are and what we're not and delivering what we are. They'd say we've still got a lot to put right. Customers talk about their own Boots store and not the brand **(A1.37: who we are)**; they see their store as the face of boots. Shareholders and City would say interesting time! But they would also say that Boots has not yet proves itself and we need to prove a clear strategy for the future. Stefano, our deputy Chairman would say I'm absolutely clear that we have a future and I'm pricing it at £10bn and that's done nothing but grow shareholder confidence. Recruitment agencies are still slightly uncertain about Boots structure strategy and organisation. So we're making good progress but still some uncertainties. Our competitors say they're getting it right a lot of the time now and that's starting to hurt them **(A1.38 brand and image)**. I see our competitors as very mixed – I know that they are the grocers form a toiletries point of view for nappies toothpaste etc, form a pharmacy point of view it's all of the independents as well as Lloyds, and it was Moss and Alliance prior to merging. From a beauty point of view e.g. No 7, Clinique etc it's the department stores and beauty houses. OTC cosmetics and medicines are Superdrug so we don't have a single group because our product ranges are so diverse.

We are involved in a variety of CSR type initiatives **A1.39 (range of activities)** e.g. Children in need – I was here and impressed by the ambiance that was created. I know that we do the right to reading project (I don't know if I'll get all of these terminologies correct) where employees go into the schools **A1.40 (reading project)**. Another example is the breakfast club helping to provide breakfasts for underprivileged children. I know that we have a number of BiTC **A1.41 (external accredit BiTC)** sponsored projects that we do linked with things like Nottinghamshire Cares where teams within functions that want to do an external team build type of event will get projects

nominated and will do them, I know that we enter in for things like FTSE4Good and we were 2nd this year and we use GRI as a measure **A1.42 (Measures and benchmarks)**, I know that we are also chair of the Healthy Workplace initiative, making sure that we are thinking about and supporting some of the initiatives about being responsible employers. I know that we do things like Diversity policies and procedures to ensure that we are being responsible in that area, over and above statutory requirements **A1.43 (discretionary effort)**. This year for the first time we are creating a Gorgeous Summer Ball, called the Boots Gorgeous Summer Ball - a supplier funded ball to raise money for charity at Lenten House – Jesse Boots' old home. It depends where you draw the line we have the Bus Admin Boots programme, providing sponsorship for undergrads from Nottingham to do placements we have our own measure of carbon – we're a carbon neutral site **A1.44 (environmental impact)**. We set ourselves targets and challenges. For me the key one I'd choose would be a new Recognition Scheme called Best of the Best and service awards. We created funding for recognising our best people who gave service to stores or customers. We had a recognition dinner **A1.45 (impactful activity)** and we took out best managers, pharmacists, teams, H. O. people and at the end we celebrated the community charity contribution of the year and the lady that won is a pharmacist in one of our stores. She is an exemplar as an employee and a pharmacist but we had video footage of what she does in her own time. What an incredible lady. Not only does she do so many things in her local community that Boots support her with in terms of time off work and funding and resourcing but she's also been out to one of the natural disasters (Malawi) with Boots sponsorship to provide pharmacy **A1.46 (Strategic fit)** expertise and management skills. For me, and I don't have all the specific details, but while I was inspired by how much effort went in and how much money was raised by things like Children in Need, I know lots of organisations do that. By following this person and seeing the impact it had on her and the organisation, it chimes with the values of making people **A1.47 (link with values)** feel better than they ever thought possible – it's about recognising how privileged we are to live in the UK and taking those ethics that we have as individuals and an organisation and putting it into the wider community. To me this award was the finale award of the night and of the 55,000 people we had 300 people at the best of the best and this was the finale award where this individual got a standing ovation and it wasn't faked, it was absolutely inspired by what this individual does and it typifies for me what Boots is about. It's a great organisation with fantastic morals and values (**A1.48 culture**) as an organisation. It wants to be ruthless about killing off our competition and delivering great service to our customers. It wants to be successful financially but we truly care about making a difference to people's lives. I do quite a lot in my community – Boots doesn't know about it as I live quite a long way away, but it inspired me to carry on doing things from a moral value kind of place.

The benefits of the event to those attending was significant, because it was the finale of the awards it reinforced **A1.49 (reinforce values)** the values to everyone that was there, it reinforced the fact that Boots cares about things other than just profit. It reinforced that if you want to do something meaningful with your time Boots will support you. It reinforced that people have lives outside the hours they do their jobs and if you want to channel your energy into doing something worthwhile, boots will support and recognise you. If I'm honest I don't know what it meant to the wider Boots population. I feel privileged to have been there on the night for that one individual and the award winners but I don't think we've done enough to celebrate and recognise that story around the rest of Boots. The only other thing I would add is that I think CSR for me is as much about the individual contributions **A1.50 (affiliation)** that people make as about Children in need, which are very impressive. I'm very proud of what we did to that person on that day because I think it was the right award but also because it signals the right messages to the organisation. So I would say let's do more of it, let's have that award as the finale of the awards every time and lets really encourage more people to do things like helping in care homes, being school governors helping in after school clubs and breakfast clubs, lets raise the profile of those people. If I had sole responsibility of choosing the initiatives to support, it would be all that you could do as wide ranging as you could do balanced with making sure that you do few enough to make sure that you do them well **A1.51 (balance between quantity and impact)**. I know that in the conversations I've had with a couple of people we need to be better at integrating personal development **A1.52 (strategic links)**. When people think of personal development they think of out of work activities as synonymous with personal development and when they think of PD they think of those things. The two things absolutely relate to each other. If we are doing a team build in the Nottingham City area, or if we're being a school governor or health care to a primary school, all of them are synonymous with PD and PD is synonymous with CSR and vice versa **A1.53 (CSR and PD)**.

Appendix 3 – Interview Questions and Information Sheet

Research Outline

Thank you for agreeing to being interviewed as part of this research project. The project is investigating the ways that staff at different levels in organisations understand and make sense of Corporate Social Responsibility (CSR). It asks a range of questions around the benefits of CSR and the activities that you are involved in. It will ask about your personal favourite activities to try and gain an insight into what is important to you and why.

The research is not being carried out by your organisation but as part of a research project being undertaken by academic staff at the University of Lincoln. It will be written up as an academic paper however a practitioner focused version will be written which will be given to the organisation and which you will have access to.

We will ensure that all privacy is protected and that your answers will be anonymized to ensure no one individual can be identified from the research. The interviews will be recorded and transcripts kept securely for a period of time. I have attached the questions that we will discuss however if there are any particular views that you have on the topic we will ensure that they are covered too.

If you have any further questions please do not hesitate to contact me – my email address is pconsidine@lincoln.ac.uk

Final Interview Questions

Current Job

Tell me about yourself
What is your current job role?
What does that involve?
How long have you done that?
What do you enjoy about your current job?
What are the challenging aspects?

History

Tell me about the history of how you came to be doing this job
How did you get into this area of work?
What made you decide that this area was of interest?
If you have changed path, what made you do that

The Company

What is it like to work here?
What are the values that the organisation stands for?
How do you know this?
What is important to the company?
How do you know this?
What are the main do's and don'ts of the company?
What would you tell a new starter about the company?
What would an outsider say about the company?

Tell me about the main events that made you feel proud to be a part of this organisation

Before the event(s):

What happened before the event took place
Can you remember what the circumstances surrounding the event were?
How did you hear about the event?
What did it mean to you personally?
What did it mean to your colleagues?
What was the perception outside the company at that time

During the event(s)

What do you recall about the time that the event was happening?
How did you perceive the event?
What concerned you at the time?
What concerned your colleagues at the time?
How did you decide that this was a positive experience?
How were you kept informed about progress?

Looking back

What are your thoughts now about the event?

Why was it significant

Did your colleagues think of it the same way?

How was the outcome of the event communicated?

Did everyone have the same understanding?

How do you know this?

The benefits

What were the benefits of the event to:

You

Your colleagues – how do you know this?

Your managers – how do you know this?

Your reporting staff – how do you know?

The company – how do you know this?

The outside world

How did these groups perceive the event?

How did they come to understand the event?

Pilot Interview Questions

Current Job

What is your current job role?
What does that involve?
How long have you done that?
How did you get into this area of work?
What do you enjoy about your current job?
What are the challenging aspects?
If you have changed path, what made you do that

The Company

What is it like to work here?
What are the values that the organisation stands for?
What would you tell a new starter about the company?
What would an outsider say about the company?

Tell me about (up to) 3 events that have made you feel proud to be a part of this organisation

Before the events:

What happened before the event took place?
Can you remember what the circumstances surrounding the event were?
How did you hear about the event?
What did it mean to you personally?
What did it mean to your colleagues?
What was the perception outside the company at that time?

During the events

What do you recall about the time that the event was happening?
How did you perceive the event?
What concerned you at the time?
What concerned your colleagues at the time?
How did you decide that this was a positive experience?
How were you kept informed about progress?

The benefits

What were the benefits of the event to:
You?
Your colleagues – how do you know this?
Your managers – how do you know this?
Your reporting staff – how do you know this?
The company – how do you know this?
The outside world?

How did these groups perceive the event?
How did they come to understand the event?

Is there anything else about the event that you would add?

Appendix 4 – Breakdown of Interviewees

Interview Details

| Organisation | Interviewee breakdown |
|---------------------------|--|
| Boots | Head Office Staff: 2 Senior Leadership Team, 13 Professional Support and Professional Staff, 12 Administration and general support. Stores: 12 Managers, 10 Pharmacists, 7 Pharmacy Dispensers, 18 Customer Service Staff Total Boots Interviews: 74 |
| Co-operative Bank | Head Office: 3 Senior Leadership, 12 Support and Professional. Banking – 13 customer advisors 14 Retail banking, 13 Call Centre Total Co-operative Bank Interviews: 53 |
| Lincolnshire Co-operative | Head Office and Property: 1 Senior Leader 15 additional staff, Retail – 14 staff, Travel 3 staff, Bakery – 2 staff Pharmacy 4 staff, Petrol retail 3 staff and Funerals 2 staff Total LCS Interviews: 44 Staff |

Appendix 5: British Academy of Management Conference Paper Abstract

Corporate Social Responsibility: Making Sense And Realizing Benefits

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Submission to British Academy of Management Corporate Social Responsibility track

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Abstract

The process of sense making in Corporate Social Responsibility (CSR) is complex and is impacted on by a range of issues. The experiences and values of the person, the espoused and actual values of the organisation and the impact and input of external stakeholders all have a role to play in the process. This paper examines the way that employees of a range of businesses make sense of CSR, how they identify with initiatives and what, if any, business case can be made for CSR. By taking a Grounded Theory approach this paper considers exactly what CSR means to staff throughout a range of businesses and organisation types and suggests a framework for considering a range of activities that might be classified as socially responsible and suggest the impact that the different categories have on both the business and the employees

Appendix 6 : Co-operative Conference Paper Abstract

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Submitted to the Co-operative Conference January 2013. Paper accepted and presented at conference Manchester May 2013

There has been a major change in the perception of business and its role in creating value (Porter 2011). Until the recent past traditional capitalism was seen by most as the only show in town and was held up as the answer to all questions of wealth and value creation especially with the nascent rise in interest in corporate social responsibility (CSR) and the adoption of its principles by the majority of large investor owned firms. The global recession has shone a light on this worldview and found it wanting – organisations of all sizes are believed to be prospering at the expense of society. Porter (2011) asserts that the standard operating model of businesses consists of an outdated perception of how they create value and indeed of what constitutes value. The short term focus of maximization of both profit and shareholder return has been criticised as unsustainable (Carrol 19x, Handy 2005) and the question of how organisations can create shared value (Porter 2006) is key to the redefinition of what capitalism means in the 21st century and how it might evolve into a system that meets the needs of its stakeholders in the widest sense.

The Co-operative movement in the UK can be traced back to the Rochdale Pioneers (Williams 2005) of the 1840s and the movement was founded on a set of principles that still underpin the co-operative movement today. A co-operative is 'an autonomous association of persons united voluntarily to meet their common economic, social and cultural needs and aspirations through a jointly owned and democratically controlled enterprise' (ICA 2012). This definition clearly implies high degrees of trust and emphasises the interconnectedness of business, society and the physical environment – a central tenet of CSR (Hingley 2010, Battacharyya and Sen 2004)

This paper examines the way that one organisation is tackling these issues and how it creates shared value for the community that it serves. The paper applies a case study approach to a local cooperative organisation –

Lincolnshire Co-op (LCS) that serves a wide and dispersed population in Lincolnshire and areas of East Nottinghamshire. The paper will consider the different approaches that a local retail cooperative adopts and contrasts this to the standard investor owned firm model and will draw conclusions as to the benefits of the co-operative model. It takes the form of a case study and the investigation is via an exploratory study designed to reveal context and information regarding the way that Lincolnshire Co-operative creates shared value amongst its stakeholders and how it adds value to its members, customers, staff and supply chain. The approach follows the method outlined in Hingley (2010) and Stake (1995) and can be seen as a clearly typical case of this type (Yin 2003). The case is built using a series of interviews of staff ranging from the Senior Management Team to customer service operatives in stores through the county. The interviews follow a semi structured format and a range of themes and emergent categories have been identified that give insight into the underpinning values of LCS.

The key objective of Lincolnshire Cooperative Society (LCS) is to serve the community that it represents and the interviews at all levels of the organisation reinforce this fundamental belief. This core value is a recurring theme of all of the interviews conducted and would seem to underpin all other decisions that are made by the society. This is not to suggest that commercial decisions are avoided – the society is acutely aware of the pillars of sustainability (Carroll 1979) and that without economic sustainability it would not be possible to discharge societal or environmental duties – but that equally these elements are as central to the organisational values as the need to make profit.

The structure of LCS is that in line with other cooperatives, it is owned by its members and that the members elect a board of directors who appoint the Chief Executive who in turn appoints a management team. Each member has a single vote and any member is eligible to stand for election as a director. This means that the board and management team are motivated to ensure that the needs of the community and the best interest of the membership are fundamental to the organizational goals. This is a significant departure from the Investor Owned Firm (IOF) model that typifies, for example, the large multiple retailers. Investor owned firms have a fiduciary duty to their shareholders and their expectations of profit maximization as the key metric of organizational and management success. The need to meet the expectations of the owners is a common theme in both the IOF sector and with LCS – however these expectations are significantly different. In a traditional IOF the owners are the shareholders and whilst in some cases the shareholders play an active part and have an important stake in the business beyond simply the financial – in many cases these owners are more accurately identified as investors or even in some cases gamblers (Handy

2002). LCS in contrast is owned by its members who are members of the local community that is served by the organisation and who have a very real and live stake in the organisation and not simply from the perspective of being customers – LCS recycles all of its profits to the local community via community grants, dividends and support for local community activities and being accountable to a board of directors from the local community gives the society a focus on the local community that would not be possible in an IOF.

This local focus is a common theme throughout the research and at all levels of the organisation the importance of serving the local community is a constant theme. This does not negate the need to be commercial and LCS is part of the Cooperative Retail Trading Group (CRTG) which represents all of the UK societies and is responsible for the national buying strategy however the strength of the local focus has led LCS to source a range of local products and to support a sizable number of local suppliers who are not part of the CRTG process but who LCS now deal with – in some cases replacing CRTG products with locally sourced with a view to developing and securing the local supply chain. The ability of an international IOF to support such local and long term initiatives is more difficult to envisage (Hingley 2010)

By examining the differences between the IOF sector and LCS this paper provides an insight into how a new form of capitalism might be developed to the benefit of all stakeholders and not merely a small group of shareholders.

Appendix 7: IMP Conference Paper Abstract

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Submitted to the Industrial Marketing and Purchasing (IMP) Conference
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Bordeaux September 2014

Abstract

This research explores the social phenomenon of Corporate Social Responsibility (CSR). The importance of CSR is well evidenced in this research however what CSR actually is and what constitutes successful CSR is a much more difficult question for employees to answer. Even the term CSR is problematic and lacks agreed definition. This thesis shows that this leads to uncertainty and it examines the ways that organisational members interpret the subject, so that it means something to employees and stakeholders, and it further demonstrates the factors underpinning a successful programme. Clear gaps exist in the perceptions of senior management, line managers and front line employees as to what CSR means or what its benefits might be, indeed some question if the subject is an area that organisations should be involved in at all. The paper examines the way that a number of organisations operationalize the construct of CSR to create shared value for the markets that they serve. It analyses the evolution of the definitions in use by the organisations and how employees create a shared understanding of the value that is added by CSR. The thesis employs a case study approach to three organisations that are constituted in different ways and are of different sizes. These organisations have been chosen as they reflect the differing structures that represent the full range of incorporated businesses with the exception of the niche area of incorporated partnerships. All three believe that values are an important element of their business model and organisational culture. It considers the impact of structure and constitution, and investigates the different approaches of a

large local Co-operative, a specialist hybrid Co-operative and the standard investor owned firm (IOF) model to CSR. It draws conclusions as to similarities and differences between the models and identifies core drivers of success in CSR for the organisations, as interpreted by employees. The approach follows the case method outlined in Hingley (2010) and Stake (1995) and can be seen as typical cases of this type (Yin 2003). The cases are built using Grounded Theory – and highlight the importance of intersubjectivity and symbolic interactionism both of which require a depth of analysis and rigour in their investigation

Appendix 8: Co-operative Bank Account Application Extract

