# Chapter 4
# Solutions or Legitimations? How the Conceptualization of Organizational Identity Shapes the Social Relevance of CSR Initiatives in Two Japanese Corporations

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## 4.1 Introduction

### *4.1.1 Japanese Firms and CSR: Criticism and Dichotomy*

Corporations in Japan have recently come under increasing criticism for their lack of awareness of the social implications of their business activities—particularly those conducted outside of Japan. In May 2014 the Ministry of Economy, Trade and Industry released a report entitled a "*Survey of CSR Issues in Global Business Activities and their Management*" that was surprisingly critical of Japanese business for lacking both adequate sensitivity of social issues and for largely failing to integrate them into their business plans and activities (Ministry of Economy Trade and Industry, 2014). A wide ranging series of reforms have been implemented over the past three years by various government ministries, the Tokyo Stock Exchange, pension funds and a variety of other organizations all aimed at increasing the transparency and accountability of Japan's firms (Davis, 2016).

The target of these reforms is the "community firm" a corporate model that has been researched, praised and/or criticized in Japan since the 1960s (Hazama, 1963, 1971, 1996; Mito, 1976, 1989, 1991a, 1991b; Odaka, 1984; Tsuda, 1977, 1980, 1981, 1982, 1994; Tsuda & Natō, 1982; Umezawa, 2009). Despite its name, the community firm does not refer to a state of enhanced community awareness but to its opposite—to a firm which has become its own internalized community. In studies of labor economics this model has been depicted as a highly internalized labor market which facilitates rapid technological innovation by creating flexible organizations based on strategically defined functions, not organizationally defined jobs (Rebick, 2005), in the field of management strategy and history they have been

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explained as a mechanism for securing resources—capital, labor and social capital by creating cooperative organizations or overcoming friction (Buchanan, Chai, & Deakin, 2012; Dore, 2000, 2005; Inagami & Whittaker, 2005; Johnson, 2001; Whittaker & Deakin, 2009; Witt, 2006), in governance studies they are generally considered to be an anachronism, not suited to the demands of contemporary capital markets and transparent investment environments (Jacoby, 2007; Schaede, 1994; Seki, 2005), and in recent studies of the software industry they have been depicted as an organizational logic that promotes insularity and undermines growth (Anchordoguy, 2005).

The majority of studies of the community firm model tend to concur that they are defined by **internalism**. Previously identified as one of the key structural characteristics of Japanese-style management from the days of "*Japan as Number One*" (Abegglen, 2006), Japan's community firms are now being criticized as a source of corporate insularity which makes them either insensitive to social issues or causes them to perceive many developing social and environmental trends as threats to their business interests and freedoms as corporations. Despite this criticism, however, many firms in Japan continue to value their traditions of strong organizational identity as a critical asset—claiming that it promotes a sense of belonging among employees, of continuity amidst rapid change, and serves them as a moral compass.

### *4.1.2 Two Divergent Cases in the Conceptualization of CSR*

This paper will examine two Japanese firms, both of which conform to the organizational profile of a community firm, display very strong organizational identities and are actively engaged in CSR. However, they diverge in that the external evaluations of their respective social performance levels differ remarkably. While one firm has been awarded for its CSR reporting and for many of its CSR initiatives, the other rarely appears in CSR rankings or (except in corporate sponsored newspaper advertisements and panel discussions) in media coverage of best practices in innovative social or environmental initiatives.

This paper will argue that the difference in social performance between these two firms is a result of contrasting conceptualizations of organizational identity. In the former case, organizational identity is conceptualized and integrated into the processes for planning, implementing and evaluating business so as to promote the development of an innovative and competitive business strategy which is also both socially informed and socially relevant. In the latter case, however, the organizational identity is devised to act as a buffer to shield the business from social issues, legitimate it against stakeholder claims, and preserve its freedoms and independence so as to enable it to dedicate its resources to serve its own carefully defined economic interests.

The business strategies of these two firms vary greatly in the degree to which they are socially informed. This concept of a socially informed strategy is central to this paper. A strategy is considered here to be **socially informed** to the extent to which: social and environmental issues have been identified as strategic issues (Ansoff, 1980, p. 133) in its **planning**, relational interactions (Hillman & Keim, 2001) with stakeholders promoted in its **implementation**, and the extent of value creation (Ghoshal, Bartlett, & Moran, 1999) and innovative transformation (Edwards, 2010, p. 35; McNulty & Ferlie, 2004, p. 1392; Chapman, 2002, p. 18) of the social context of markets and industries have been considered and emphasized in its **evaluation** processes.

## 4.2 Objectives of This Paper

This paper has three objectives, to:

1. Develop a framework to facilitate the analysis of the processes whereby organizational identity shapes the identification of social issues within firms,
2. Apply this framework in a comparative study of two Japanese firms operating in the same market and industry that display remarkably different levels of strategic CSR, and
3. Identify the practices (organizational structures and processes) that promote the formulation of socially informed business strategies.

It is hoped that this comparison of two ostensibly "community firms" with contrasting approaches to CSR will further both the understanding of CSR in Japanese corporations and, more generally, yield insights into the structures and processes that facilitate strategically embedded as opposed to decoupled CSR initiatives. In order to meet these three objectives a framework must first be developed by which to examine the relationship between the identity of an organization, the process by which an organization identifies social and environmental issues in its business environment, and how it acts on its awareness of these issues.

## 4.3 Organizational Identity: A Review of Theory

### *4.3.1 Meaning of Organizational Identity at Individual and Firm Level*

Organizational identity (hereafter: OI) refers to the characteristics of an organization that both define it for its members and shape its interaction with its constituents. In order to serve as an identity these characteristics must be central, distinctive and enduring (Albert & Whetten, 1985). For the individual member an organization's identity facilitates a sense of **belonging** by providing a "schema for what that person believes are core attributes shared by members of the organization" (Dutton & Penner, 1993, p. 95), a sense of **orientation** by serving as a "cognitive map" (Fiol

& Huff, 1992, p. 267), and a sense of **direction** by framing "what is good, real, important possible, and necessary" (Stoecker, 1995, p. 113).

The identity of an organization is powerful. To the extent that it influences the individual's sense of self and purpose, the OI also promotes a strong feeling of vested interest among its members regarding the organization's activities and its external evaluation (Dutton & Penner, 1993, p. 550). Identity will therefore direct an organization's "attentional resources" towards issues deemed legitimate (Dutton & Penner, 1993, p. 98), facilitate or prevent change (Reger, Mullane, Gustafson, & DeMarie, 1994, p. 33), and at times may even override its interests as a business by supplying a "criteria for making decisions that compete with instrumentally rational ones" (Polletta & Jasper, 2001, p. 293).

### *4.3.2 Functions of OI: Integrative and Operational*

Taking a social systems approach, Seidl defines two central functions for an OI to fulfil over time: an **integrative function** (Seidl, 2005, p. 82) by which the organization accounts to itself as an entity, and an **operative function** by which the organization frames its activities and decisions (Seidl, 2005, p. 83). Describing its integrative function Seidl explains that: "Organizational self-descriptions represent the organization to the organization. They provide the organization with a sense of unity: on the basis of the self-description the organization can observe its different parts as related to each other… it focuses its operations and prevents the organization from 'losing" itself" (Seidl, 2005, p. 82). Ashforth likens this operational function to a lens "for perceiving and interpreting the environment… An [OI] affects what is attended to and, therefore, what gets *noticed*" (Ashforth & Mael, 1996, p. 46). This operational function informs action in two ways: by shaping the perception of issues, and by evaluating decisions and actions on their conformity identity.

### *4.3.3 Frames of Reference for OI Construction: Comparative and Historical*

Whetten has identified two frames of reference for the construction of OI: **historical** and **comparative** (Whetten, 2006, p. 223). The former is inward focused, emphasizes the story of the organization over time and is primarily concerned with its central and enduring characteristics, while the latter, being concerned with the identity of the organization as opposed to others, looks outward and concerns distinctive characteristics which thereby ground a sense of association. While the historical construction is concerned with "a temporal conception of acting in-character, commonly expressed as 'honoring the past' or 'doing what's right for the organization'"(Whetten, 2006, p. 223), the concern of the comparative construction is with legitimacy, accountability and Albert and Whetten's characteristic of distinctiveness.

## 4.4 Identity as an Inherently Dynamic Process of Interaction and Change

A wide range of approaches towards OI have been developed (Brown, 2001; Cornelissen, Haslam, & Balmer, 2007; Whetten, 2006) which vary according to how the organization is seen as either a social system (Scott & Davis, 2007), social actor (King & Whetten, 2008; King, Felin, & Whetten, 2010, p. 292), or by taking identity to be the product of an ongoing narrative (Czarniawska, 1997, p. 17).

Kirchner has observed that another key difference between conceptualizations of OI lies in their approach to change: "OI appears to be either enduring by definition or an ongoing process of continuous (re-)creation" (Kirchner, 2013, p. 36). Weick argues that "identities are constituted out of the process of interaction" (Weick, 1995, p. 20). Expanding on this Gioia maintains that just as "a sense of continuous formulation and preservation of the self through interaction is essential to notions of individual identity," OI within firms is a "processes of interaction with outsiders—for instance, customers, media, rivals, and regulatory institutions" (Gioia, Schultz, & Corley, 2000, p. 65).

### *4.4.1 Identity as a Cycle of Making Sense*

The process whereby individuals identify with an OI is characterized by Ashforth, Harrison and Corley as consisting of a cycle of sense-breaking and sense-giving. Ashforth, Harrison and Corley explain that: "Individuals begin to incorporate elements of the collective into their sense of self by enacting identities and then interpreting responses to these enactments. Organizations encourage enactment and provide feedback through sense-breaking and sense-giving. These individual and organizational processes work together as a cycle... that captures the moment-by-moment attempts to become prototypical members of the organization. Individuals construct an identity narrative as a way of linking these moments over time, generating a story that integrates 'who I am now' with 'who I have been,' while suggesting 'who I might become' (Ashforth, Harrison, & Corley, 2008, p. 340).

Interaction with stakeholders can potentially alter the ongoing process of identification between firms and their members resulting in sense-breaking events outside the identification process. For Weick, Sutcliffe, and Obstfeld, **sense-breaking** events constitute an explicit "shift from the experience of immersion in projects to a sense that the flow of action has become unintelligible in some way"

(Weick, Sutcliffe, & Obstfeld, 2005, p. 409). Pratt and Foreman, in a study of Amway distributors, found that "sense-breaking involves a fundamental questioning of who one is when one's sense of self is challenged" (Pratt, 2000, p. 264). According to Bundy, Shropshire, and Buchholtz "those stakeholder issues that induce identity or frame conflict represent a particularly strong disruption of order—a "sense-breaking" or "dislocating" event that triggers a fundamental questioning of one's sense of self" (Bundy, Shropshire, & Buchholtz, 2013, p. 365).

### 4.4.2 *OI as a Mental Model*

In sharp contrast to these sense-breaking events and subsequent reflective reappraisal of identity and meaning as a result of stakeholder interaction, left uninterrupted, identification processes can result in path dependency where the cognitive map of OI restricts perception of the business environment and social context. Porac has shown that "core identity and causal beliefs that permit managers to define competitive boundaries and make sense of interactions within these boundaries... are reinforced by a mutual enactment process in which the technical choices of firms constrain the flow of information back to decision-makers, thereby limiting their vision of the marketplace to that which has already been determined by existing beliefs" (Porac, Thomas, & Baden-Fuller, 1989, p. 412). Similar feedback effects have also been identified in a number of other studies (Bromley & Powell, 2012, p. 493; Covaleski, Dirsmith, & Michelman, 1993; Tilcsik, 2010) in a variety of organizational settings.

### 4.4.3 *Continuity and Change*

Chreim develops the concept of **confluence** to portray the state where "simultaneous continuity and change" are maintained in a narrative discourse of identity: "The notion of confluence in identity calls for considering continuity and change not as contradictory elements, but as complementary and interwoven" (Chreim, 2005, p. 587). Chreim explains those in times of organizational change "confluence can be established by reframing the meaning of past experience so it appears consistent with the present and future requirements" (Chreim, 2002, p. 1132) and thereby "provides anchors to the past that organizational participants rely on for a sense of self-consistency" (Chreim, 2002, p. 1119).

Foreman and Parent classify an organization with significant discontinuity in its identity over time as being **iterative**. In Foreman and Parent's formulation: "the iterative organization is one that convenes or organizes itself on a periodic or recurring basis... They are characterized by an interruption or unevenness in the continuum of activity, resulting in a series of organizational manifestations. It is this unevenness in activity and the degree to which each manifestation is connected to its priors and followers that fundamentally characterizes these types of organizations. We call this characteristic *discontinuity*" (Foreman & Parent, 2008, p. 223).

## 4.5 Stakeholders and the External Expectations of Firms

Firms are influenced by the expectations of their stakeholders. Firms interact with or influence a wide range of stakeholders as indicated in Freeman's seminal definition of the stakeholder as constituting "any group or individual who can affect or is affected by the achievement of the organization's objectives" (Freeman, 1984, p. 46). Stakeholder expectations or "claims" are numerous, varied and constantly require to be balanced (Neville, Bell, & Whitwell, 2011, p. 357). Explaining the importance of stakeholders to business strategy Freeman has indicated that "to be an effective strategist you must deal with those groups that can affect you, while to be responsible (and effective in the long run) you must deal with those groups that you can affect" (Freeman, 1984, p. 46).

### *4.5.1 Stakeholder Multiplicity*

Neville and Menguc have defined the term **stakeholder multiplicity** to explain the "degree of multiple, conflicting, complementary, or cooperative stakeholder claims made to an organization" (Neville & Menguc, 2006, p. 377). Multiplicity increases in correspondence with the firm's degree of dependency on these "pressuring institutional constituents for its legitimacy or economic viability" (Oliver, 1991, pp. 165–166), and the variety of entities making demands upon the firms resources as a result of relationship dispersion (Pfeffer & Salancik, 2003, pp. 272–273).

### *4.5.2 Stakeholder Salience*

Stakeholders and their claims are of differing degrees of salience to firms. Mitchell, Agle and Wood define the **salience** of stakeholders as "the degree to which managers give priority to competing stakeholder claims" (Mitchell, Agle, & Wood, 1997, p. 854).

This priority can be determined upon the basis of salience with either the integrative or operative function of an OI. Neville suggests an integral approach: "the moral legitimacy of a stakeholder's claim is an assessment by managers of the degree to which a claim exceeds a threshold of desirability or appropriateness within some personally, organizationally, and socially constructed system of ethical norms, values, beliefs and definitions" (Neville et al., 2011, p. 369). By contrast Ashforth and Mael propose an operative approach by explaining that "to be labelled a strategic issue, something must be noticed and interpreted as potentially relevant to the organization's status or performance" (Ashforth & Mael, 1996, p. 46). Similarly, Luders argues from an operative approach that the level of a firm's receptivity and responsiveness to stakeholder issues are calculated in terms of a playoff between concession and disruption costs (Luders, 2006, p. 969).

### *4.5.3 Stakeholder Identification of Issues as "Contests Over the Creation of Meaning"*

Interaction with stakeholders can involve the exercise of power—power to: identify, contest the meaning of, and thereby potentially redefine issues critical to the integral and operative function of organizational identities. For Lamertz, Martens and Heugens issues, as the expectation of stakeholders, are not "seen as objective descriptions of events, but as reflections of a dynamic interaction between the participants in an enacted structure, who engage in a power struggle over the meaning constructed for the underlying objective conditions" (Lamertz, Martens, & Heugens, 2003, p. 86). Scott and Lane argue that: "OI is best understood as contested and negotiated through iterative interactions between managers and stakeholders. Thus, we explicitly integrate power in the conceptualization of OI" (Scott & Lane, 2000, p. 44). Lamertz, Martens and Heugens contend that: "adopting a symbolic interactionist perspective, it is argued that social issues should be interpreted as socially constructed disruptions of an institutional order that structures purposeful exchanges between actors. Under these conditions, issue evolution resembles an ongoing sense-giving battle in which actors seek to restore the order by imposing their unique 6solution preferences on the situation" (Lamertz et al., 2003, p. 82).

Identity comes to be depicted as reputation and image. For Fombrun and Shanley: "Publics construct reputations from available information about firms' activities originating from the firms themselves, from the media, or from other monitors... Established reputations themselves are signals that also influence the actions of firms' stakeholders" (Fombrun & Shanley, 1990, p. 234). Image is different to reputation. Whereas reputation is a depiction of the attributes used by external entities to describe the organisation (Dutton & Dukerich, 1991, p. 547), image is the internal representation of reputation. For Dutton and Dukerich: "an organization's identity describes what its members believe to be its character; an organization's image describes attributes members believe people outside the organization use to distinguish it" (Dutton & Dukerich, 1991, p. 547).

### *4.5.4 Action in the Face of Contested Meaning Creation: "Symbolic" and "Substantive" Responses*

In order to manage issue identification in the negotiation of OI, firms may offer either symbolic or substantive responses to stakeholder claims. Weaver, Treviño and Cochran have observed that firm responses to stakeholder expectations can be either **symbolic** (decoupled) or **substantive** (integrated): "corporate responses to expectations for social performance can be decoupled from or strongly integrated with regular organizational activities" (Weaver, Trevino, & Cochran, 1999, p. 546). For Ashforth and Mael **substantive management**: "involves real, material change in organizational practices. An organization adopts certain ways of doing things—a structural configuration, technologies, accounting practices, operating routines, and so on. These adoptions both inform and are informed by the organization's identity and strategy, such that there are continuous, reciprocal interactions between self-definition, choice, and action" (Ashforth & Mael, 1996, p. 35).

By contrast, symbolic responses have been characterized as forms of "window dressing" (Weaver et al., 1999, p. 539) wherein structures are decoupled from "each other and from normal ongoing activities" (Meyer & Rowan, 1977, p. 34). Symbolic has been classified variously as non-market strategies (Baron & Diermeier, 2007), OI work (Kirchner, 2013), or symbolic action. Baron and Diermeier propose three **nonmarket strategies** by which firms can manage the risk of reputation damage due to activist campaigns: (1) implement proactive reputation building and operational modifications, (2) campaign management, and (3) mitigate the supply of activism. The third form of nonmarket strategy identified by Baron and Diermeier refers to action taken by a firm to influence the level of social support for activism and thereby change the "supply of activism, which depends on both the public support for the activists' agenda and the costs of conducting a campaign. Strategies focus on reducing the support from the public, raising the cost of activism, and restraining activists' actions" (Baron & Diermeier, 2007, p. 602). Kirchner defines **organizational identity work** as: "individual or collective activities within an organization that are directed towards the creation, disruption, or maintenance of OI" (Kirchner, 2013, p. 42). Kirchner identifies three forms of OI work: "manipulation of external perceptions, adaptation and persistence of internal coherence." **Manipulation** involves ceremonies for "signalling compliance and socially desirable traits to external observers," **adaptation** involves "proactive and reactive activities" to resolve a "mismatch between the environment (image or reputation) and actual identity," and **maintaining** refers to attempts to "repair damage to consistency and to maintain existing structures" (Kirchner, 2013, pp. 42–43).

### 4.5.5 Models of Stakeholder and Issue Management

A firm can conceptualize its interaction with its stakeholders as either a continuation of past experiences, as a function of their perceived alignment with stakeholder interests, or as the result of the implications of stakeholder claims to the firm's OI and/or strategic objectives. Two such identity-based structures by which firms manage multiplicity have been proposed: the **stakeholder cultures** model by Jones, Felps, and Bigley (2007), and the **stakeholder identity orientations** developed by Brickston (2007).

### 4.5.6 "Stakeholder Cultures": A History of Relationships Approach

Jones et al. (2007) contend that organizations resolve the moral tension between self and other interest in their relationships with stakeholders by reference to solutions embedded in past experience. Defining this embedded experience as "stakeholder culture" Jones, Felps & Bigley define it as a "firm's collective reconciliation of these contradictory motives in the past and, as such, consists of its shared beliefs, values, and evolved practices regarding the solution of recurring stakeholder-related problems" (Jones et al., 2007, p. 142). Based upon an ethical "continuum of concern for others which ranges from self regarding to other regarding" (Jones et al., 2007, p. 143). Jones, Felps & Bigley identify five categories of corporate stakeholder cultures: amoral, corporate egoist, instrumentalist, moralist and altruist cultures (Jones et al., 2007, pp. 144–150).

### 4.5.7 "Identity Orientations": A Nature of Relationships Approach

Brickson has proposed that firms as organizations display "identity orientations" towards stakeholders. Brickson defines an identity orientation as being "determined by its locus of self-definition. Do members understand the organization as a sole entity, as a dyadic interentity relationship partner, or as a member of some larger collective? The locus of self definition can be assessed by considering the traits and characteristics most salient to members when describing their organization" (Brickson, 2007, p. 867). Brickson (2005) has identified three *identity orientations* based upon cognitive and motivational differences by which firms as organizations relate to their stakeholders. For Brickson interactions with stakeholders represent an operationalization of OI: "An *individualistic* orientation refers to an organizational self-conception as a sole entity atomized and distinct from others. A *relational* orientation corresponds with a self-conception of the organization as a dyadic interentity relationship partner possessing particularized bonds with specific stakeholders. Finally, a *collectivistic* orientation refers to an organizational self-conception as a member of a larger group with generalized ties to other stakeholders in that group" (Brickson, 2007, p. 865). Issues identified by stakeholders are therefore perceived as constituting either a confirmation or denial of its OI.

### 4.5.8 "Strategic Cognition": A Meaning of Issues Approach

Taking as their starting point the observation that "firms and managers do not respond to stakeholder and environmental characteristics per se... [but] to specific issues and concerns advocated by stakeholders" (Bundy et al., 2013, p. 353). Bundy, Shropshire, and Buchholtz focus their efforts on developing an "*issue salience perspective* for examining firm responsiveness to stakeholder issues" (Bundy et al., 2013, p. 353). Building upon Seidl's depiction of the integrative and operative function of identity (Seidl, 2005), Bundy, Shropshire, and Buchholtz use the term **expressive** and **instrumental** logic to conceptualize the "organization's core values and beliefs" and the "rational pursuit of organizational goals" (relating to competitive advantage and economic performance) respectively (Bundy et al., 2013, p. 353).

Stakeholder issues are defined by Bundy, Shropshire, and Buchholtz as the: "explicit concerns and requests raised by individuals/groups that can affect or be affected by the firm" (Bundy et al., 2013, p. 352). Issues are either irrelevant, consistent or in conflict with either or both of these two logics (defined as cognitive and strategic frames) thus yielding nine issue types: True opportunity (consistent with both identity and strategy), True threat (conflicting with both), Identity conflict (consistent with strategy but conflicting with identity), Frame conflict (conflicting with strategy but consistent with identity), Instrumental opportunity (consistent with strategy but unrelated to identity), Instrumental threat (conflicting with strategy but unrelated to identity), Expressive opportunity (unrelated to strategy but consistent with identity), Expressive threat (unrelated to strategy but conflicting with identity), and Nonissue types (unrelated to both) (Bundy et al., 2013, p. 369). In the second part of their framework Bundy, Shropshire, and Buchholtz then associate each of these issue types with the firm's response in terms of its materiality ("either symbolic or substantive") and form ("either defensive or accommodative") (Bundy et al., 2013, p. 353). Thus in their own words, Bundy, Shropshire, and Buchholtz's model allows us to "enter the black box of managerial decision making so as to understand how firms act as interpretation systems to receive and process stakeholder issues" (Bundy et al., 2013, p. 356).

## 4.6 A Framework

Although highly selective, this brief review of theory related to OI, issues, and stakeholder relations permits the extrapolation of the following six propositions. These propositions will be used here to guide an analysis of the implementation of CSR in the two cases.

Six propositions regarding the meaning of CSR from an OI perspective:

1. The implementation of a firm's CSR is an enactment of its OI.
2. Identity gives meaning to the issues (perception and prioritization), actors (identification and interpretation) and actions (location and design) that comprise CSR for the organization.
3. Identity makes sense of the effects (impact and change), relationships (obligations and expectations), and outcomes (reputation and experience) that result from the CSR activities for the organization.
4. Values characterizing a firm's OI will shape the direction of, and be subsequently reconstructed by, the outcome of CSR activities.
5. The value characterization of OI will define a firm's CSR activity as either a transformational (self reflection and renewal) or transactional (rationalization and legitimation) process.
6. The process nature (transaction or transformation) of a firm's CSR will promote the formation of either an internally informed business strategy or a socially informed business strategy.

## 4.7 Research Method

The research consisted of a series of interviews conducted in two phases. The first phase comprised of a series of interviews with employees and executives of firm A and B, while the second phase was an interview with personnel from the CSR office or department of both firms respectively. A total of 31 interviews were conducted at firm A (24 employees and 7 executives) and 29 at firm B (20 employees and 9 executives).

### *4.7.1 Interview Structure*

Interview respondents were asked to:

1. Identify the social issues and stakeholders most relevant to their business activities.
2. Explain the social and environmental implications and impacts of their company's business activities.
3. Describe the CSR initiatives of their firm.

Throughout the interviews respondents were encouraged to speak freely about their current responsibilities, business activities, strategies and future plans of their corporations.

Confidentiality agreements require that the names and identities of both firms and their individual executives and employees be withheld, and that no identifiable information regarding the respective firms be made public.

## 4.8 Research Findings and Discussion

Both firms were of similar size, history, and industry, and, importantly here, both corresponded closely to the profile of a community firm. Specifically both firms:

1. Employ the auditing board model of corporate governance whereby the board is overseen by a group of statutory auditors. This model is unique to Japan and roundly criticized by governance scholars and overseas investors as providing inadequate monitoring and control of the board.
2. Internally promoted (career) CEOs.
3. Previous CEO currently serving as chairman, and former chairman currently serving as corporate advisors.
4. All board seats filled (until very recently with the introduction of independent directors) with internally promoted executives.
5. An all-male board (with the exception of one or two independent directors who are women) and with less than 5 % of all corporate executives being female.
6. Extensive cross shareholdings. This practice is widely criticized as a mechanism to weaken the ability of investors to influence management—however it is explained by both corporations as being the result of strategic investments.
7. The labor force is divided into a stable, core of mostly male employees with extensive benefits (pensions, health insurance, housing and family allowances, and access to corporate subsidized vacation lodges and hotel packages) annual salary increases and biannual bonuses tied to overall corporate financial performance (often termed “seniority pay”).
8. A large number of contracts, part-time contingent workers paid only salaries and commuting allowances, without either pensions or significant benefits, are employed by both companies. These contingent workers serve as a buffer to provide stable employment for the core workers while allowing for sufficient flexibility in workforce management and payroll cost controls to compensate for market and economic risk (often considered a mechanism to support “lifetime employment” for the core workforce).
9. Consistently low ratings on governance rankings in Japan.

## 4.9 Organizational Identity and the Implementation of CSR

Working upon the assumption that a corporation's statement of values would encapsulate an expression of its organizational identity, case analysis commenced with a comparison of the value statements of each firm. In a pattern which was to be observed repeatedly throughout the fieldwork, although both firms evidenced remarkable similarities in their organizational/structural design of their CSR, they diverged radically in terms of its management and operationalization. This structural similarity yet functional divergence becomes particularly evident in a comparison of the two firm's value statements.

## 4.10 Statement of Corporate Values

In written form the texts of both Firm B and Firm A's corporate value statements were of a remarkably similar format—each consisting of only a few lines of text—but substantially different in content. Looking at only the keywords contained in the statements (in order to avoid identification) shows that Firm B places central emphasis on three values: integrity, reliability and trust, while Firm A employs a more pragmatic terminology of: promotion of innovation, solutions and welfare. Most respondents at Firm B would refer to their corporate identity cards and quote them verbatim when asked about their firm's corporate principles. This was in sharp contrast to Firm A where corporate values and principles were almost always explained using illustrations of how they applied to or guided the respondent's past or current work. For Firm B CSR was conceptualized as a reputational dimension of stakeholder relations that existed outside of core business activities, while for Firm A it was conceived of as *constituting* the social relations of business.

### *4.10.1 Structural Organization*

The organization of CSR at Firms A and B were virtually indistinguishable from each another when defined exclusively in terms of organizational structure and staff allocation. Both Firms A & B maintained a CSR office or department attached to the corporate planning department of its headquarters, overseen by a CSR committee comprising of various corporate department heads and ultimately reporting to a senior executive at board level who was also nominally the "officer in charge of CSR" as well as the chair of the CSR committee. The CSR office in both of the firms was staffed by approximately ten people each. Despite these structural similarities, however, the interviews revealed that the processes used to plan and implement CSR initiatives contrasted markedly between the two firms.

### *4.10.2 Organizational Identity as Giving Meaning to the Issues, Actors and Actions of CSR*

The orientation of OI differs remarkably between the two firms in terms of their CSR infrastructure, and their conceptualization of social issues and stakeholders.

### *4.10.3 The "Infrastructure" of CSR*

This difference was reflected in the infrastructure of CSR at both firms. The term **CSR infrastructure** is used here to refer to the manner in which CSR is structurally organized and administered as a corporate function within the firm. CSR at Firm B is managed as a structurally centralized and distinct function. Its administration follows that of other discrete corporate functions such as quality control, risk management or legal compliance. CSR is planned and budgeted for on an annual basis. The CSR department submits an annual budget request using the same procedure as other departments.

Firm B retains a CSR consulting firm to plan and guide its activities. Each year, before the budgeting round, the consultancy prepares and submits a plan for CSR activities for the following year. This proposal typically contains a sub-budget for the annual CSR report (production of which is subtracted out to the consultancy) and plans for various CSR projects and activities, continuations of existing initiatives, and other new or one-off proposals. A member of the CSR office then submits this annual CSR activity proposal to the CSR committee. Its contents are debated and the proposed activities are prioritized to enable adjustment in the event that funding is below the level requested and expenditure has to be reduced.

Firm A maintains a considerable CSR infrastructure which, although closely coordinated by the CSR office, is more structurally diverse and decentralized than that of Firm B. The following were identified as its key components:

**Annual Strategy Meeting** This involves a series of meetings among all departments which culminates in a final companywide daylong meeting where the upper management of all operating departments meet to hear and review each other's proposals for the following 12 month and 5 year period. This series of meetings is different to the regular business strategy planning process in that it concentrates on developing what are termed "business scenarios" which are used to evaluate current and proposed business strategies upon the basis of emerging or currently evolving social and environmental trends.

**CSR Workshops** Firm A includes a series of workshops by a variety of consulting experts in the range of skill and knowledge areas including: design thinking, social design, stakeholder relationship management, critical thinking, and others. A workshop in each theme is held at least twice annually for a 2 to 3 day period with a capacity ranging between 20 to 30 participants. Employees may apply to participate with the authorization of their department manager. Participation in these and other workshops is strongly encouraged by executive management and is considered as a factor in personnel evaluation. Employees give feedbacks on these workshops—which are managed jointly by the HRM and CSR departments—and often suggest topics for further, more detailed or additional workshops.

**CSR Database** Firm A's CSR database is a catalogue of organizations (government agencies, research centers and laboratories, university centers, and facilities run by NGOs and NPOs), and specialists (in other corporations, universities, national centers, consultants, and includes specialists in retirement who would be amenable to short-term contract work) describing their activities and areas of expertise. The catalogue is accessible by all employees via the firm's intranet and any employee is able to add, edit and update entries "wiki-style." Entries include reports detailing the content of information gained from the experts when they gave presentations to employees at the firm, were engaged for projects, and consulted on an ad hoc basis. Entries also include journal, magazine and newspaper clippings with notations, and summaries of relevant monographs. Employees reported that the database can be used to research a very wide range of social and environmental issues and, in the event that information is inadequate, to locate experts for consultation. Respondents reported that they frequently made use of the database and all could recall instances of having used it in their work.

**Formal Study** Employees may apply to participate in executive education and regular academic programs at domestic and overseas universities lasting between two weeks and up to one year for a Masters level graduate program. A list of programs is maintained by the CSR department and employees are encouraged to participate.

Overall, Firm A maintains a rich and varied annual cycle of thought-provoking and integrated activities specifically aimed at encouraging and enabling individual employees to plan, implement and evaluate their regular business activities with a shared awareness of the firms values and principles, and current and future social issues.

## 4.11 Conceptualization of a "Social Issue"

The conceptualization of what constituted a social issue—how they were identified and acted upon—was remarkably different between the two firms (see Table 4.1).

At Firm B a panel of external experts was used to identify social issues at a panel discussion held annually and covered in detail in the CSR report. This annual panel discussion figured as a highlight of Firm B's CSR activity. The panel discussion consisted of a group of experts in various social and environmental fields who analyzed the firm's current social and environmental performance and identified

**Table 4.1** Orientation, goals and focus of CSR in firm A and B

| | Firm A | Firm B |
|---|---|---|
| CSR orientation | An activity whereby the firm conveys the meanings and motivations behind its actions to its constituents in its environment in order to promote constructive partnership | An activity whereby the firm communicates its actions as a corporation |
| CSR goals | To plan and implement innovative business models based on the transformation of existing social relations in order to better utilize resources and create value | To legitimate the status quo and ameliorate the risk of threats and calls for change |
| CSR issue focus | Concentrate on identifying multiple, specific, locally contextualized issues while still emerging trends or in very early issue development stages | Identify and prioritize issues in a late development stage which require amelioration or appeasement |

issues and areas in need of action or remedy. Experts were chosen each year by the consulting firm to match the reports annual theme and they, and their areas of concern, therefore changed each year in order to "maintain public interest" as one respondent explained.

Each panel discussion followed a similar pattern with each of the four participating experts first presenting a prepared 10–15 min speech giving their evaluation of the firm's achievements and shortcomings. The corporate executives in attendance (usually the CEO, VP, CSR executive and PR manager) would then respond to the points by reading a pre-prepared response. Following this, the facilitator (a consultant from the CSR consultancy) then posed a series of questions to the experts based on 2–3 topical key issues, such as global warming, biodiversity and resource usage and recycling. Prior to the discussion the experts were given a copy of the previous year's CSR report and basically relied on their specialist knowledge in analyzing the company and identifying issues for action. Experts do not meet before the panel discussion or coordinate their analysis or comments.

The effect of this issue identification process on Firm B's CSR initiatives was pronounced. Each year initiatives were added to comply with the demands of the panel experts for any issues that could not be rationalized away as irrelevant or handily satisfied by publicly issuing a statement of policy on the issue. Over time, this issue identification process resulted in a large number of wide ranging, small-scale and short-term CSR initiatives and a largely incoherent CSR strategy. The call to address many issues on topics that shifted each year pushed the initiatives into a similar format of financial support of charities, sponsorship of events and contests, and donations of supplies and materials to NPO's and other social entities. One executive commented that "in order to protect the corporate reputation it is critically important that the firm be seen to be constantly aware of, and be seen to be actively supporting efforts to relieve, issues of high social concern in a timely manner."

Firm A had no dedicated procedure for identifying social issues. It relied instead on the CSR infrastructure described above to fulfil this function. By promoting high levels of information and access throughout the organization (embedded within the business planning, implementation and evaluation cycle) Firm A tended to identify early, conflicting, fluid and often highly ambiguous social issues. By contrast, being organized separately from the business planning, implementation and evaluation cycle, Firm B's panel tended to identify late stage, potentially disruptive issues amenable to placation by transactional CSR activities—such as making CSR policy pronouncements, supporting charities, and sponsoring contests and educational programs. Issues identified at Firm A are defined within, and integrated into, the firm's business planning and evaluation processes so as to inform strategy, whereas at Firm B these issues become material for public relations.

## 4.12 Stakeholder Identification

Employees and executives at both firms A and B were able to define a similar number of stakeholders—approximately eight each—with a tendency for younger employees to identify a larger number of shareholders than their more experienced and older colleagues. However, while the stakeholders identified at firm B showed a marked level of consistency, those identified at firm A displayed considerable variety.

Firm B executives and employees tended to identify a highly generic form of stakeholder such as: the environment, customers, trading partners, investors, employees, national government, local community, and regional governments being among the most common. Firm A's employees and executives identified very specific stakeholders usually closely related to their own work or business activities. These included such stakeholders as: indigenous, traditional inhabitants of resource rich regions, elderly members of rural populations with increasingly limited access to transport, investment funds with a strategic focus on renewable energy production, researchers in universities specializing in illnesses and the physiology of the aged, consumers with high awareness of food additives, and shopping complex developers seeking high returns on their properties. This granularity and breadth in the identification of stakeholders, combined with specific and concrete explanations of how these stakeholders were relevant to business activities and business models, by the employees of firm A was in stark contrast to the generic—almost homogenized—stakeholders identified at firm B.

Furthermore, when asked to explain the interests and relationships of stakeholders to their firms, executives and employees of firm B spoke about the responsibility of the firm to act as a responsible corporate citizen, building trust between the firm and its stakeholders by means of rigorous legal compliance, disclosure and transparency in all its actions, and acts of charity and social support to promote corporate understanding and social understanding. Overall stakeholders tended to be defined as either a potential threat which had to be placated, or as influential entities which could either legitimize or delegitimize the firm in the market. Both the employees and executives of firm B displayed a similar stance here, with one key difference being that executives tended to stress to the relevance and importance of past actions to the current reputation of the firm.

Firm A's employees generally explained stakeholders in terms of their specific social context and the relevance of their respective identities and situations to the present and or future direction of business activities and firm performance. While firm B's employees usually spoke of corporate performance as being "at risk from stakeholder actions and or attitudes," firm A's employees tended to explain business performance in terms of relationships and interactions with their stakeholders. This was particularly pronounced among firm A's executives who explained their business relationships to, and the impacts on, their stakeholders in terms of a process of mutual reconfiguration and transformation of relationships. Firm B's executives frequently referred to stakeholders as having power over the reputation of the firm, while firm A's executives would describe stakeholders as owners of the resources and needs which could be translated through innovative business planning into opportunities. Also, while firm B's executives largely identified stakeholders as singular entities, firm A's executives would often describe them in terms of their relationship with other stakeholders and firms whereby they constituted systems of relationships extending beyond, but inclusive of, the firm.

As outlined in Table 4.2, the difference in approach towards stakeholder relationships can be explained as a reflective as opposed to a reflexive approach. Firm A's executives and more experienced employees also portrayed their specific stakeholders in temporal terms using scenarios whereby the contexts and therefore interests, resources and relative levels of welfare changed and could be enhanced over time. No similar approach was mentioned at firm B. Any mention of change mostly concerned the growth of the firm's business and the enhancement of its reputation, social trust, and attractiveness as an employer and business partner, and strength as a competitor.

**Table 4.2** Two approaches approach towards stakeholder interaction

| | | |
|---|---|---|
| Firm A | Reflective | Stakeholders are identified and understood within the wider social context which, because it is also seen as being the field within which the firm conducts its business activities, gives stakeholders a strategic identity as current and/or potential business partners and the owners and/or controllers of resources. |
| Firm B | Reflexive | Stakeholders are identified as a social or environmental entity which is outside value creating business relationships and therefore comprises a nonstrategic actor which can potentially influence the plans and actions of the firm. |

## 4.13 Making Sense of CSR: Effects, Relationships and Outcomes

### *4.13.1 Self Evaluation of CSR Accomplishments*

Firm B executives expressed considerable pride in their past corporate achievements and often included the phrase “serving society for over 100 years” in their public relations announcements.

Firm A, while also displaying equal pride in its past achievements, augmented this with a strong future orientation and an emphasis on the importance of realizing the corporate mission of long-term, ongoing growth and industry wide development. Firm A’s executives and employees both explained the social contributions of their firm as an indication of the extent to which they were aware of emerging and developing social trends, and able to integrate this awareness into every aspect of their strategic business activity. Respondents often used the phrase “contributing to society through our core businesses” to explain this approach. CSR initiatives at Firm A were therefore not evaluated as isolated activities, but integrated within the regular business planning, implementation and evaluation cycles.

The situation was remarkably different at Firm B where the function of evaluating annual CSR performance was essentially delegated to the expert panel as a topic for their discussion. The typical outcome of this process was that the experts would identify an extensive list of distinct issues in their own field that differed widely from those posed in the previous year and by other experts. The result of this, as reported by one participating executive was a “feeling that social/environmental demands on the company are increasing exponentially, that they all required some degree of response, and leave a growing a sense of encroachment or impingement of external organizations on the rights and resources of the firm,” and additionally that there was a “need for the corporation to draw a line beyond which it would fight against any claims it considered to be illegitimate or otherwise risk being overwhelmed.”

The panel’s evaluations were covered in the annual CSR report which was distributed to employees who were encouraged to read and discuss it. Respondents reported a certain level of satisfaction and pride in their firm’s “comprehensive range of social support initiatives.” CSR reports were made publicly available on the corporate homepage and printed copies were sent to anyone who requested them. The CSR reports included a questionnaire asking readers to review its issue coverage and presentation. Respondents were asked to indicate articles from the report that most interested them, that they would like to read about in more detail, or have excluded from future reports.

By incorporating the evaluation of its social contribution performance into that of its regular business, Firm A employed business criteria to assess and question the effects, relationships and outcomes of its CSR initiatives. In sharp contrast Firm B’s approach was one of assurance and qualification as a public relations exercise that increasingly separated social issues from their business agenda.

### *4.13.2 Managing Multiplicity*

Closely related to self-evaluation is the question of how the two firms manage the multiplicity of issues (claims). Firm B actively avoided engagement in volatile and contested issues (early life-stage issues) because of a perception that they were time-consuming, made engagement outcome difficult to predict, and therefore constituted an unjustifiably high reputation risk due to their volatility and potentially negative results. CSR officers frequently mentioned their responsibility to present management with issue agendas that closely matched the firm's current competencies and capabilities as a business. This tendency had a self-reinforcing cyclical effect whereby social issues chosen for their identity compatibility would then in turn define the firm's social mission and thereby subsequently reinforce its identity. By contrast, firm A actively sought out, and engaged in, early life-stage issues as an opportunity to access new and different forms of information, develop new business and organizational capabilities and test the applicability of existing capabilities. Executives frequently emphasized the importance of change and growth for the firm's future. As one responded: "Our strengths today are a result of the efforts of generations of past employees who constantly strove to improve the firm by seeking out challenges and growing. It is what we learn today that will support future generations, not just how much we earn."

## 4.14 CSR and the Reconstruction of OI

Overtime, Firm B's CSR initiative had assumed the nature of a highly refined public relations exercise designed to identify issues of wide public concern, evaluate short-term, external initiatives relevant to them and select and fund them efficiently, and present their results in a manner both understandable and of interest to as wide a public audience as possible. Although the cost of overall initiatives was not disclosed (either internally or externally) Firm B's employees were proud of the volume and variety of initiatives, and the number and range of stakeholders that benefited from them. A typical comment was "a responsible corporation must commit to supporting society—reputation is based on the a corporation's willingness and ability to help those in trouble. This is a defining tradition of Japanese society. A tradition of being a good neighbor and responsible member of the community." Conversely, some respondents expressed concerns regarding the total expense of these initiatives and the need to advertise them as effectively as possible in order to gain the greatest possible return on these "investments." Employees also expressed some degree of dissatisfaction that the effort and resources invested in Firm B's CSR initiatives were not adequately recognized by CSR rankings and ratings, and that "more effort was required on the part of their partners [fund recipients] to achieve their goals and publicize these results."

The thematic incoherence of Firm B's CSR initiatives, combined with their being administered separately from regular business management processes, made it difficult to explain them in anything other than abstractions. It was difficult for respondents at Firm B to articulate the values driving their firm's CSR initiatives without reciting the official wording of their corporate principles. These abstract values of "integrity, reliability and trust" did not fit Albert and Whetten's criteria of being central, distinctive and enduring and had to be constantly and artificially reinforced.

In contrast to Firm B's employees and their recitations of the official OI, Firm A's employees and executives were enthusiastic storytellers and shared a seemingly endless number of narratives which illustrated the growth and development of their OI. Firm A employees frequently related stories involving past events, both failures and achievements, where the moral was that: "the firm owes its existence to society, and will thrive or fail depending on society's willingness to support it" and "in order for us [the firm] to prosper and grow on the long-term, it is necessary that our partners and customers grow and thrive first." Stories abounded where innovative reconfigurations of hitherto standard and "common sense" industry wide practices were ingeniously overturned to the benefit of all, where problems were identified by enterprising employees framing issues from the perspective of partners or customers, and where the benefits enjoyed by partners in transactions became the starting point and opportunity for new projects and businesses.

Stories were also told at Firm B, but they tended to focus on events and accomplishments where employees had produced remarkable results at the cost of great self-sacrifice (especially of private/family life) and of various "smart" or "tough" dealings with suppliers, customers or regulatory authorities. The theme of such stories tended to emphasize value acquisition over value generation, the hierarchical authority of individuals, and a sense of competition and contest as legitimation.

## 4.15 OI and Transactional Vs. Transformational CSR

Corporate values can be articulated in either a transformational (pragmatic) or transactional (descriptive) manner. Firm A's mission statement declares that it is committed to contributing to the promotion of the industrial, social and environmental welfare of its partners by the ongoing innovation of its business and its industry. By contrast, Firm B's mission statement states that Firm B, by acting with the utmost integrity and warm heartedness, will strive to be the most trusted and respected corporation in the industry.

Firm A designs and operates its CSR initiatives so as to promote business model innovation informed and enabled by awareness of social and environmental trends (the changing context of business). Firm A values originality and creativity, new perspectives and insightful questioning. By contrast, Firm B values "rapid, accurate and effective" decision-making by its employees. At Firm A, issues were articulated in terms of relationships and resource sets of partners while at Firm B they are largely defined as problems externally identified by the annual panel of experts. Firm A and B were clearly working from different (managerial vs. paradoxical) cognitive frames.

Firm A expends considerable effort to promote what they call a "questioning attitude" among its employees. At Firm A, executives and employees are regularly exposed to detailed scenarios—and the thinking that goes into them—explaining changing trends and evolving themes presented by experts in a wide range of fields at monthly "training sessions." Each training session comprises of a lecture and a Q&A session lasting for approximately 3 h in total. Recent themes have included: water resource management and conservation, information technology and manufacturing quality improvement, information technology and privacy protection law, regional economics, meteorology technology advances and risk management, nutrition for the aged, and a variety of other topics. The objective is to expose employees to raw information on issues and trends, and different disciplinary modes of analyzing issues, that they can refer to as they plan, implement and evaluate their business activities. They are encouraged to develop an awareness of these trends, look for new angles in them, and to think about their relevance for current and future businesses and to act proactively wherever possible.

Firm B employees are rarely ever urged to do anything other than read the judgments of the panel experts contained in the CSR report. Social and environmental issues are supposed to be dealt with at Firm A on the corporate level where they are managed as either problems for risk management and or compliance, or social and environmental causes for sponsorship and support.

## 4.16 Response to Disruption: Sense Breaking and Rationalization

This difference in attitude was made clear in the days and months following after the Great East Japan earthquake and tsunami of March 11th 2011 (referred to in Japan as "3-11") and its subsequent events.

Both firms A and B were seriously impacted by "3-11." The roles of government, corporations and communities were all challenged by this event and scrutinized during the nationwide period of soul-searching which ensued. Across Japan corporate responses to the actual crisis and its aftermath differed greatly—some responses were limited to crisis response as a process of "hastening the return to normal," while others included a reflective dimension whereby corporations asked (1) what lessons could be learnt for business and society, and (2) what must be changed in order to realize a better "post crisis normal."

Firm B's response can be characterized as being reflexive—it made much of its efforts to facilitate the rapid return to normal operations which included large donations of products and cash to affected areas and press announcements of solidarity with, and support for, those affected. After the crisis and return to normal operations top management introduced a companywide business continuity plan (BCP) which aimed at "hardening" and or the regional dispersion of its business critical IT systems, the physical reinforcement of key plants, the installation of auxiliary energy sources, the establishment of backup data processing and storage centers in cities outside Tokyo in areas of low risk or with different risk profiles. Firm B's executives in particular expressed great pride at the comparative speed with which they restored operations and extensively advertised this as proof of the firm's identity as a good "corporate friend" to the community in bad as well as good times.

Firm A's approach was subtly though profoundly different. Immediate post crisis relief was defined as the effort to restore the "lifeline" and critical services to affected areas in accordance with their specific situations—areas were variously affected by structural damage by the quake and/or the tsunami, regions that were unlivable, habitable but dangerous due to damage infrastructure and buildings, or habitable but without essential lifeline services of electricity and water. Having thus zoned the affected regions, firm A then began actively coordinating its relief efforts with other firms, government agencies and community organizations. Corporate facilities were used in collaboration with others and firm A personnel also worked out of the facilities of other firms and organizations. On the morning after 3-11, the president of firm A convened an emergency meeting of all division heads where he declared the crisis to be a "test of our worth as a corporation" and announced that all normal budgeting procedures would be suspended and resource requisition and purchase requests reviewed and approved on a day by day basis. Relief strategies developed in specific regions were evaluated and if deemed effective were shared for general application to those areas where they would be applicable. Post crisis—defined as "after the lifting of emergency government restrictions on normal operations"—involved a series of "strategic reassessment projects." One of the first of these projects involved the research and compilation of a "crisis report" detailing the disruption caused to various communities, critically reviewing the relief strategies implemented, and going on to identify and analyze the prevailing industry and market factors that either exacerbated or mitigated the disaster's impact. A series of review meetings were held at corporate headquarters and in each operating and regional division. Each meeting started with an address by the president wherein he defined the 3-11 disaster as a "blunt and critical assessment of our worth and capability as a corporation, as a member of society, and of our modern way of life." These meetings were designed to review the experience of this wide reaching and variously compounded crisis, its business and social lessons, and identify and conceptualize reforms to current business processes and innovate new ones.

The central difference between Firm A & B's response was that Firm A included the way that its business was organized and integrated into society as a factor responsible for the extent and manner by which the crisis impacted society in general and various communities specifically. The experience of the crisis was commemorated at Firm B on its homepage and CSR reports. Surprisingly, while

Firm B introduced a flurry of CSR initiatives after the crisis—including employee volunteer support programs, donations for crisis response equipment (helmets, bags, and blankets) for schools, and setting up storage areas with emergency food reserves, Firm A made almost no changes to its CSR programs. Firm A's experience of the crisis informed extensive and profound change to the planning, implementation and evaluation of its business processes, but had relatively little effect on its CSR programs.

Rather than triggering a sense breaking event, the OI of Firm B translated "3-11" into a reaffirmation of business as usual. For Firm A, seeing "3-11" as a sense breaking event served to promote a critical review of current and past business activities that enabled the identification and realization of numerous business innovations and promoted growth.

## 4.17 CSR and Socially Vs. Internally Informed Strategy

### *4.17.1 Absolute Versus Relative Identity*

Firm B defines its mission in abstractions and the recognition of achievements defined in above-industry average returns and sales growth as their key performance indicator.

Firm A's Mission acknowledges that its achievements as a business are based on, and contextualized by relationships with its social, environmental and business partners. Firm A also emphases innovation and the level of transformation of existing businesses is a key component of its performance evaluation criteria.

Two contrasting formulations of identity can be observed in the cases: an **absolute** identity at Firm B and **relative** identity at Firm A. An absolute identity refers to the organization as the defining entity with all other social entities and organizations defined by their relationship to the firm's interest and their pursuit and or protection. This identity assumes the organization is separate to its context. By contrast relative identity is defined by the dynamic of relationships constituting its context. Here the organization is assumed to be a functional unit of its context (perceived from a *Eulerian* as opposed to a *Lagrangian* frame of reference).

## 4.18 Conclusion

As summarized in Table 4.3, applying the OI framework to the analysis of the two cases has revealed clear differences between the planning, implementation and evaluation of CSR in the two firms respectively. Using the OI framework this analysis has shown that Firm A displays identification characteristics largely consistent with a collectivistic orientation, that its stakeholder relationship patterns

**Table 4.3** Comparative overview of CSR at Firms A & B based upon the OI framework

| Framework proposition | Firm A | Firm B |
|---|---|---|
| 1. Implementation of CSR as enactment of OI | | |
| Central function: Integrative & operative | CSR articulated as operative process of achieving OI goals through business activities. | Emphasis of the integrative function of CSR as an expression of stable and distinct OI. |
| OI construction: historical or comparative | Values expressed as operative processes combine with comparatively framed OI to yield CSR based on relative identity within social context. | Unchanging values expressed in historically framed OI promotes CSR based upon themes of continuity and legitimacy thus creating a source of path dependency. |
| 2. OI gives meaning to issues, actors and actions | | |
| Stakeholder multiplicity | Seeks to accommodate multiplicity by maintaining a decentralized system of issue identification to inform overall social awareness. | Plans and implements CSR as a means to reduce and control the number of issues, actors and actions. |
| Stakeholder salience | Define stakeholders reflectively as the constituents of the firm's business context. | Define stakeholders as reflexively as separate entities operating within the same context. |
| 3. OI makes sense of the effects (impact and change), relationships (obligations and expectations), and outcomes (reputation and experience) of CSR | | |
| Identity comes to be depicted as reputation and image. | CSR as an ongoing part of the business planning, implementation and evaluation process. | CSR as a process of validating corporate reputation against external claims and divergent interpretations. |
| 4. OI values shape and are shaped by outcome of CSR activities | | |
| Individual identification with IO consisting of a cycle of sense breaking and sense giving | CSR as a means for renewing relationships in order to promote/achieve transformative innovation. | |
| Contests over the creation of meaning. OI as contested and negotiated through iterative interactions between managers and stakeholders | | CSR as a coordinated activity to support and promote the firm's claims of legitimacy and right to act freely. |
| 5. OI defines process nature of CSR as transformation or transaction | | |
| Firm's responses to stakeholder expectations can be either (1) symbolic (decoupled) or (2) substantive (integrated). | CSR as a dimension in the firm's ongoing process of transformational based growth. | CSR managed as a highly symbolic and decoupled transactional routine for placating external demands and legitimating actions. |
| 6. Process nature defines business strategy as either internally or socially informed | | |
| Strategizing based upon understanding of firm as either (1) sole entity, (2) dyadic interentity relationship partner, or (3) a member of some larger collective. | CSR predicated upon a collectivistic OI whereby the firm perceives its rights and claims as relative to others. | CSR predicated upon an individualistic orientation (or dyadic in response to specific external demands) based upon absolute rights and claims. |

resemble that of a relational orientation, that it is innovation and market evolution oriented and seeks to actively participate in transformational business model innovations by managing relationships and therefore requires trust to access the resources of social and public stakeholders via creating transformational, value creating visions, stories of mutual growth and development and the planning of inclusive business models. Firm A seeks to play a pivotal role in this process as a key agent for change and correspondingly adopts a transformational form of CSR as a tool to facilitate its participation in the public dialogue shaping the social expectations of business.

By contrast, Firm B displays identification characteristics largely consistent with an individualistic orientation, but its stakeholder relationship patterns resemble that of a collectivistic orientation. Firm B seeks to maintain its legitimacy in order to protect its ability to act with relative (within the confines of legal compliance) freedom (the ability to exercise its rights in its own interests without external interference). However, because it is very difficult for a firm to maintain its legitimacy and freely exercise its rights consistently over time (especially one operating within the Japanese context where a corporation in business for many decades would have experienced vast changes in political climate, social expectations and material conditions) it employs a transactional form of CSR (policies and activities) as a tool to maintain and manage a distance between its self characterization and the public dialogue on the social expectations of ("responsible") business.

Analysis of the integration between OI and the processes for planning, implementing and evaluating CSR also suggests that they effectively influence each other in an ongoing cycle of sense giving, definition, sense making and enactment as shown in Fig. 4.1.

Firm B almost seems to set a "trap" for itself whereby it's CSR actions and experience lays the way for a subtle, yet compelling tendency whereby it's OI defines and realizes a narrow and uni-dimensional CSR which reduces sensitivity towards and understanding of nascent and emerging social/market trends and issues by focusing its organizational awareness inwards in a centralized process of self affirmation and legitimation. Although also closely coordinated, firm A's articulation of CSR is driven by the business-based activity of its members in their ongoing engagement with their business and social partners and stakeholders. Whereas firm B invests considerable time and energy into the identification and selection of issues for its CSR initiatives, Firm A's issue identification process could be compared to a form of "open innovation" where wide, external input is valued and the development of new and innovative processes to respond to evolving challenges is prioritized.

Firm B displays a form of organizational behavior regarding the identification of CSR issues that closely resembles path dependency as identified by Sydow et al. (2009). Firm B's cycle of issue identification and identity reaffirmation yielded a rigidly standardized issue management process whereby the number and variety of potential issues were actively reduced and effectively homogenized. By contrast, Firm A showed a marked capability to identify new and emerging

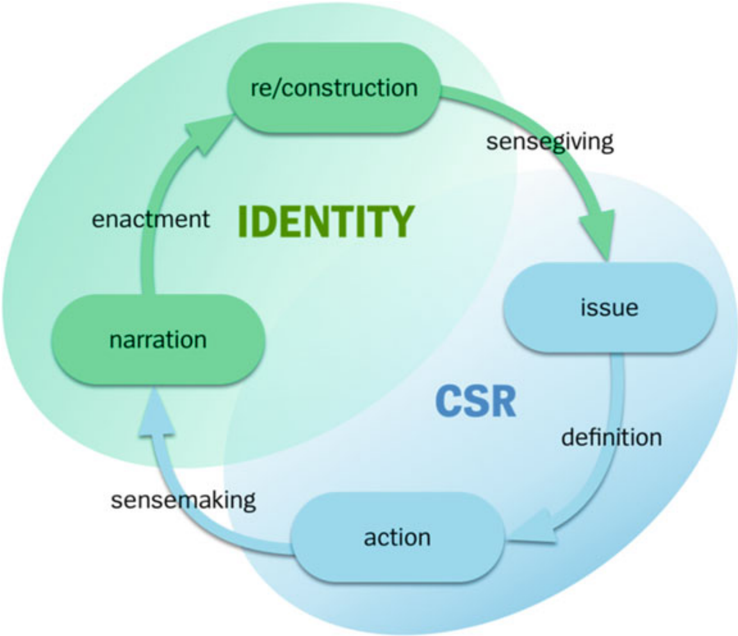


**Fig. 4.1** Cyclical framework of OI based approach to CSR

issues and allocate attention and resources to their understanding in a highly flexible manner.

One of the key functional differences between these two approaches, and a likely explanation for the difference in the results yielded in the two firms, was the relatively large number of organization members in Firm A behaving as both strategically informed and contextually aware actors. The function of issue identification at Firm A was distributed throughout the organization and the approaches employed varied widely according to the strategic role of the actor and the context they faced. By sharp contrast the process was divided and centralized at Firm B. Firm B's external experts bought contextual awareness to the issue identification process while (authorized) organizational members chose which issues were organizationally relevant. Relevance here was rarely strategic or transformational, tending instead to be conservative and risk aversive.

The remarkably different outcomes from the OI CSR cycles of firms A and B could be attributable to a key fundamental difference in their business strategies and basic approach to the market. Firm B places a high value on the accuracy of calculations of risk and return. Some industrial analysts have criticized the firm for a lack of innovation. Interviews with firm B's executives at times revealed an almost opportunistic attitude whereby they would stress the importance of developing new products and moving into new business areas as being more important than fundamentally overhauling and re-launching existing products and transforming existing businesses. By contrast, Firm A's executives were somewhat preoccupied with constantly getting what they referred to as a "feeling/sense for the market." Firm A is a recognized innovation leader and transformer widely known for constantly revitalizing its product lines and reconfiguring its partnerships. Although it is beyond the scope of this current chapter it may be worth investigating the impact that this difference in the approach to market strategy has on the interaction between OI and CSR.

The OI approach presented here is an effective framework to facilitate analysis of the way in which the formulation of a firm's mission, vision, and values, and the manner by, and degree to which, this is integrated into the process of planning, implementing and evaluating business activities influences the perceived strategic relevance of relationships with social entities, the breadth and scope of social innovation (positive transformation of social and business relationships), and the enhancement of the relative welfare of respective stakeholders. The OI perspective offers many insights for the study of CSR. Using this approach has made it possible to understand how OI functions as a lens to identify social issues in these two cases. Applying this perspective has show that the strong organizational identities displayed by a community firm can become an asset for realising social contribution through the promotion of socially informed business strategies where the firm identifies its role in terms of value generation and transformational change and designs its CSR initiatives so that they are informed by, and make sense of, its mission as a business.

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