

Approaches to Global Sustainability, Markets, and Governance  
Series Editors: David Crowther · Shahla Seifi

David Crowther  
Shahla Seifi  
Abdul Moyeen *Editors*

# The Goals of Sustainable Development

Responsibility and Governance

 Springer

# **Approaches to Global Sustainability, Markets, and Governance**

## **Series editors**

David Crowther, De Montford University, Leicester, UK

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*Approaches to Global Sustainability, Markets, and Governance* takes a fresh and global approach to issues of corporate social responsibility, regulation, governance, and sustainability. It encompasses such issues as: environmental sustainability and managing the resources of the world; geopolitics and sustainability; global markets and their regulation; governance and the role of supranational bodies; sustainable production and resource acquisition; society and sustainability.

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The series is grounded in the belief that any global consideration of sustainability must include such issues as governance, regulation, geopolitics, the environment, and economic activity in combination to recognise the issues and develop solutions for the planet. At present such global meta-analysis is rare as current research assumes that the identification of local best practice will lead to solutions, and individual disciplines act in isolation rather than being combined to identify truly global issues and solutions.

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David Crowther · Shahla Seifi  
Abdul Moyeen  
Editors

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# Contents

<b>1</b>	<b>Responsibility and Governance in Achieving Sustainability</b> . . . . .	<b>1</b>
	David Crowther, Shahla Seifi and Abdul Moyeen	
<b>Part I Theorising the Relationship</b>		
<b>2</b>	<b>‘People, Planet, Profits’ and <i>Perception Politics</i>: A Necessary Fourth (and Fifth) Bottom Line? Critiquing the Current Triple Bottom Line in the Australian Context</b> . . . . .	<b>19</b>
	Jessica O’Neil	
<b>3</b>	<b>CSR Management Strategies, Stakeholder Engagement and MNE Subsidiaries Efforts to Foster Sustainable Development</b> . . . . .	<b>43</b>
	Abdul Moyeen	
<b>4</b>	<b>CSR, Stakeholders and Complexity: Seeking Certainty in Decision-Making</b> . . . . .	<b>55</b>
	Dianne Bolton	
<b>5</b>	<b>Against Theory: Redefining Corporate Social Responsibility Using a Lacanian Perspective</b> . . . . .	<b>77</b>
	David Crowther and Shahla Seifi	
<b>Part II Developing Sustainability</b>		
<b>6</b>	<b>Determinants Which Influence Purchase Behaviour of Energy Efficient Household Appliances in Emerging Markets</b> . . . . .	<b>97</b>
	The Ninh Nguyen	
<b>7</b>	<b>Improving Agricultural Water Sustainability: Strategies for Effective Farm Water Management and Encouraging the Uptake of Drip Irrigation</b> . . . . .	<b>111</b>
	Steven J. Greenland, John Dalrymple, Elizabeth Levin and Barry O’Mahony	

<b>8</b>	<b>Interrelationship Between Solar Lighting and Poverty Alleviation in Rural Cambodia—A Case Study of Panasonic Corporation’s Solar Lighting CSR Initiative</b> . . . . .	125
	Lowell John Gretebeck	
<b>9</b>	<b>An Exploration of Social Investment Discourses in the Oil and Gas Sector</b> . . . . .	139
	Rafaela Costa Camoes Rabello, Vivienne Anderson and Karen Nairn	
 <b>Part III Organisational Perspectives</b>		
<b>10</b>	<b>The Linkages Between CSR, Social Capital and Small Enterprise Development in a Large Company’s Supply Chain</b> . . . . .	157
	Risa Bhinekawati	
<b>11</b>	<b>Tobacco CSR and the Ethics Game Paradox: A Qualitative Approach for Evaluating Tobacco Brand Name Strategy Following Plain Packaging</b> . . . . .	179
	Anne Morton and Steven J. Greenland	
<b>12</b>	<b>The Neo-Institutionalism Influences on Corporate Social Responsibility Reporting Development in Australia: A Three Company Study</b> . . . . .	193
	Merryn Paynter, Abdel K. Halabi and Alan Lawton	
<b>13</b>	<b>Social Responsibility in Higher Educational Institutions: An Exploratory Study</b> . . . . .	215
	Lina Gómez, Aileen Pujols, Yanitzary Alvarado and Lucely Vargas	
<b>14</b>	<b>Shifting to Green: Insights from a SME Hotel’s Green Approach in China</b> . . . . .	231
	Helen Song-Turner	



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# Chapter 1

## Responsibility and Governance in Achieving Sustainability

David Crowther, Shahla Seifi and Abdul Moyeen

**Abstract** The terms corporate governance, corporate social responsibility and sustainability seem to have become ubiquitous and increasingly tend to be either used together or to be used interchangeably. In this chapter, the authors consider these terms their interchangeability and the context in which they are used. In doing so, they conclude that the terms are not interchangeable but are inevitably related and all must appear, at times, within the discourse of organisational reporting. In the context of increasing globalisation there is a, perhaps inevitable, tendency towards homogeneity and this chapter serves to set the scene for the topic of this book and the various contribution contained therein. The issues are complex and these contributions demonstrate the wide variety of ways in investigating this. There are a considerable number of topics covered and contributions made from people from all over the world. The introductory chapter demonstrates this.

**Keywords** Sustainability · Globalisation · Corporate social responsibility · Transparency · Governance · Convergence

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## 1.1 Introduction

There is considerable evidence that the field of social responsibility is changing and maturing. This can be seen from the issues which are of concern to people currently researching in the field. The concept of CSR has gradually spilled over to the other fields of inquiry so much so that today we can speak about the inclusion of social responsibility in any type of human activity (business, politics, justice, etc.). Increasingly the term social responsibility, corporate responsibility, sustainability and governance have become intertwined and are often treated as synonymous. With this in mind, a theme of sustainable development was adopted for the 15th International Conference on Corporate Social Responsibility and 6th Organisational Governance Conference held in Melbourne, Australia during September 2016. This of course raised the questions of what is meant by the term sustainable development and how it can be achieved. These are questions which were raised and addressed during this conference. And this book is one of the outcomes of this conference where a selection of papers addressing this theme is published. In doing so, the range of the papers shows the vibrancy of the topic and the wide variety of ways in which it has been addressed.

Recent years have seen a wide variety of misbehaviours from corporations and their leaders. Many would however consider that these corporations have however behaved no differently to most others and have merely been found out. Nevertheless the distancing of the rogues from the rest has led to a tremendous resurgence of interest in behaviour which has been classified as Corporate Social Responsibility (CSR). With that in mind, corporations have been busy repackaging their behaviour as CSR and redesignating their spinmasters as Directors of CSR, for there is much evidence that little has changed in corporate behaviour except for this repackaging—the power of the semiotic (Crowther 2012) being far more potent in the modern world than the power of actual action, and also obviating the need for such action. More recently terms such as corporate sustainability have become more fashionable, despite the core concepts remaining unchanged. Crowther and Rayman-Bacchus (2004) have argued that the corporate excesses, which have been disclosed and which have affected large numbers of people, have raised an awareness of the social behaviours of corporations. This is one reason why the issue of corporate social responsibility has become a much more prominent feature of the corporate landscape. There are other factors which have helped raise this issue to prominence and Topal and Crowther (2004) maintain that a concern with the effects of bioengineering and genetic modifications of nature is also an issue which is arising general concern. At a different level of analysis, Crowther (2000, 2002a, b) has argued that the availability of the World Wide Web has facilitated the dissemination of information and has enabled more pressure to be brought upon corporations by their various stakeholders. But, Wheeler and Elkington (2001) talk about the end of corporate environmental report due to the fact that historically this report has not engaged stakeholders and it appears to have been an attempt at communication using the Internet and social media as the vehicle.

Another point of view, about the diffusion of information and its impact, was presented by Unerman and Bennette (2004). They explain the difficulties in identifying all stakeholders that are affected by a corporation's activity. All these perspectives, therefore raise the question as to what exactly is CSR and how it can be made manifest and to what extent it can be considered to be corporate social responsibility. According to the EU (2001: 8):

...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.

From these various writings about CSR, we can infer that the social enterprise is not a new definition and has resonance with earlier ideas such as those of Dahl (1972: 18), who stated:

...every large corporation should be thought of as a social enterprise; that is an entity whose existence and decisions can be justified insofar as they serve public or social purposes.

Shaw (2004: 196) explains that the principal characteristics of a social enterprise are:

- (i) the orientation, "...directly involved in producing goods and providing services to the market, making an operating surplus...."
- (ii) the aim, "...explicit social aims (job creation, training or provision local services), strong social values and mission (commitment to local capacity building), accountable to their members and wider community for their social, environmental and economic impact.<sup>1</sup> The profits are to their stakeholders or for benefit of the community."
- (iii) and the ownership, "...autonomous organizations with loose governance and participation of stakeholders in the ownership structure."

All definitions—and there are many—seem to have a commonality in that they are based upon a concern with more than profitability and returns to shareholders. Indeed involving other stakeholders, and considering them in decision-making is a central platform of CSR. The broadest definition of corporate social responsibility is concerned with what is—or should be—the relationship between the global corporation, governments of countries and individual citizens. For example, the OECD has studied investment in weak governance zones. More locally, the concept of CSR is concerned with the relationship between a corporation and the local community in which it resides or operates. One aspect of CSR is concerned with the relationship between a corporation and its stakeholders. In this situation, activity could be focused on employees (see Parker 1977). The corporation develops its codes of conduct that could make some progress in improving labour rules and process, but the scope is limited and it is unclear if they can make a significant

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<sup>1</sup>An empirical study concerning the operational reporting of corporate natural assets (i.e. habitats, fauna and flora) can be seen in Jones (2003).

impact without the help of Governments with law enforcement. These efforts are likely to benefit only a small segment of the target workforce.<sup>2</sup>

For corporations however, within the broad concept of CSR there are three real issues which focus their attention at the moment: sustainability, corporate governance and the relationship with stakeholders. All are issues which are global in their impact; we will look at each in turn, although it will become apparent that they are all interrelated within the broader concept of corporate social responsibility.

## 1.2 A Focus on Sustainability

Over recent years, there has been a focus in corporate activity upon the concept of corporate social responsibility (CSR) and one of its modern manifestations, the notion of sustainability. Indeed many corporations which 10 years ago produced environmental reports renamed them CSR reports and now produce sustainability reports. One of the effects of persuading that corporate activity is sustainable is that the cost of capital for the firm is reduced as investors are led into thinking that the level of risk involved in their investment is lower than it actually is. This is perhaps as significant as a reputation for good governance which also has a demonstrable link to the reduction in cost of capital. One part of our argument therefore is that methodologies for the evaluation of risk are deficient because of the misrepresentation of the concept of sustainability: moreover this affects the short term as well as the longer term. Our argument is that a better evaluation by investment analysts will itself lead to better managerial decision-making.

The globalisation debate which is taking place in the present can be viewed dialectically as an opposition between the proponents of an unregulated market and the opponents of such unchecked capitalism. Few would dispute that in the present the proponents of an unregulated world—carefully packaged in the pejorative term of the free market—have the ascendancy. Thus the dominant ideology of the modern western world is that of the free market which its supporters argue, if unregulated, maximises economic wealth and optimises its distribution. Consequently there is increasing pressure upon governments around the world to reduce, and even eliminate, regulation so that we may all benefit from the prosperity which ensues from the free market. To support this assertion the idea of ‘trickle down theory’ (Aghion and Bolton 1997) was invented by the Chicago School of Economics and widely accepted without the existence of any evidence whatsoever. Absent (whether by ignorance or by design) from the discourse of ideological pressure is the fact that a completely unregulated free market only operates effectively in a situation of perfect competition—in other words never! The opponents of an unregulated world are more difficult to categorise as they represent a diverse collection of people and interests without a great deal of commonality except for

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<sup>2</sup>See for example Scherrer and Greven (2001).

their opposition to the dismantling of regulation and the ascendancy of global capitalism. Discourse between the two groups tends to be confrontational and often violent: indeed it is problematic to describe it as discourse as most of both sides are not particularly interested in discourse, preferring instead to seek dominance for their view. On the face of it therefore it would seem problematic to describe these differing views as dialectical as there seems little scope for any synthesis to emerge. One aspect of the synthesis which has developed however is encapsulated in the concept of corporate social responsibility.

For some years now the concept of corporate social responsibility has gained prominence to such an extent that the concept seems ubiquitous in popular media and has gained increasing attention around the world among business people, media people and academics from a wide range of disciplines. There are probably many reasons (see Crowther and Ortiz-Martinez 2006) for the attention given to this phenomenon not least of which is the corporate excesses which continue to become manifest in various parts of the world. These have left an indelible impression among people that all is not well with the corporate world and that there are problems which need to be addressed. Such incidents are too common to recount but have left the financial markets in a state of uncertainty and have left ordinary people to wonder if such a thing as honesty exists any longer in business.

More recently, the language used in business has mutated again and the concept of CSR is being replaced by the language of sustainability. Such language must be considered semiotically (Barthes 1973) as a way of creating the impression of actual sustainability. Using such analysis then the signification is about inclusion within the selected audience for the corporate reports on the assumption that those included understand the signification in a common way with the authors. This is based upon an assumed understanding of the code of signification used in describing corporate activity in this way. As Sapir (1949: 554) states:

... we respond to gestures with an extreme alertness and, one might almost say, in accordance with an elaborate and secret code that is written nowhere, known by none and understood by all.

It is comfortable to assume a shared signification based upon a shared understanding of the language used; this shared signification may however be fictitious. An alternative—arguably more sinister interpretation would be to view the language of the statements concerning sustainability to be made in the Orwellian (1970) sense of being used as a device for corrupting thought by being used as an instrument to prevent thought about the various alternative realities of the organisation's activity. How one views these interpretations is to a large extent dependent on one's views of sustainability.

### 1.3 Is Sustainability Sustainable?

A growing number of writers over the last few decades have recognised that the activities of an organisation impact upon the external environment and have suggested that such an organisation should therefore be accountable to a wider audience than simply its shareholders. Such a suggestion probably first arose in the 1970s<sup>3</sup> and a concern with a wider view of company performance is taken by some writers who evince concern with the social performance of a business, as a member of society at large. This concern was stated by Ackerman (1975) who argued that big business was recognising the need to adapt to a new social climate of community accountability, but that the orientation of business to financial results was inhibiting social responsiveness. McDonald and Puxty (1979) on the other hand maintain that companies are no longer the instruments of shareholders alone but exist within society and so therefore have responsibilities to that society, and that there is therefore a shift towards the greater accountability of companies to all participants. Implicit in this concern with the effects of the actions of an organisation on its external environment is the recognition that it is not just the owners of the organisation who have a concern with the activities of that organisation. Additionally, there are a wide variety of other stakeholders who justifiably have a concern with those activities, and are affected by those activities. Those other stakeholders have not just an interest in the activities of the firm but also a degree of influence over the shaping of those activities. This influence is so significant that it can be argued that the power and influence of these stakeholders is such that it amounts to quasi-ownership of the organisation. Indeed Gray et al. (1987) challenge the traditional role of accounting in reporting results and consider that, rather than an ownership approach to accountability, a stakeholder approach, recognising the wide stakeholder community, is needed.<sup>4</sup> Moreover Rubenstein (1992) goes further and argues that there is a need for a new social contract between a business and its stakeholders.

Central to this social contract is a concern for the future which has become manifest through the term sustainability. This term sustainability has become ubiquitous both within the discourse globalisation and within the discourse of corporate performance. Sustainability is of course a controversial issue and there are many definitions of what is meant by the term. At the broadest definitions, sustainability is concerned with the effect which action taken in the present has upon the options available in the future (Crowther 2012). If resources are utilised in the present then they are no longer available for use in the future, and this is of particular concern if the resources are finite in quantity. Thus raw materials of an

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<sup>3</sup>Although philosophers such as Robert Owen were expounding those views more than a century earlier.

<sup>4</sup>The benefits of incorporating stakeholders into a model of performance measurement and accountability have however been extensively criticised. See for example Freedman and Reed (1983), Sternberg (1997, 1998) and Hutton (1997) for details of this ongoing discourse.



extractive nature, such as coal, iron or oil, are finite in quantity and once used are not available for future use. At some point in the future therefore alternatives will be needed to fulfil the functions currently provided by these resources. This may be at some point in the relatively distant future but of more immediate concern is the fact that as resources become depleted then the cost of acquiring the remaining resources tends to increase, and hence the operational costs of organisations tend to increase.<sup>5</sup>

Sustainability therefore implies that society must use no more of a resource that can be regenerated. This can be defined in terms of the carrying capacity of the ecosystem (Hawken 1993). Viewing an organisation as part of a wider social and economic system implies that the effects of both internally and externally must be taken into account, not just for the measurement of costs and value created in the present but also for the future of the business itself. Such concerns are pertinent at a macro level of society as a whole, or at the level of the nation state but are equally relevant at the micro level of the corporation, the aspect of sustainability with which we are concerned in this work. At this level, measures of sustainability would consider the rate at which resources are consumed by the organisation in relation to the rate at which resources can be regenerated. Unsustainable operations can be accommodated for either by developing sustainable operations or by planning for a future lacking in resources currently required. In practice, organisations mostly tend to aim towards less unsustainability by increasing efficiency in the way in which resources are utilised. An example would be an energy efficiency programme.

Sustainability is a controversial topic because it means different things to different people (Aras and Crowther 2009) and it is uncertain as to whether it can be delivered by MNCs in the easy manner they promise (Schmidheiny 1992). The starting point must be taken as the Brundtland Report (WCED 1987) because there is explicit agreement with that Report and because the definition of sustainability in there is pertinent and widely accepted. Equally, the Brundtland Report is part of a policy landscape being explicitly fought over by the United Nations, Nation States and big business through the vehicles of the WBCSD and ICC, (see for example, Beder 1997; Mayhew 1997; Gray and Bebbington 2001). Recently however Crowther and Seifi (2016) have criticised this as a starting point, arguing that the debate has become stagnant and that these concepts are no longer relevant in the achievement of sustainability.

There is a further confusion surrounding the concept of sustainability: for the purist sustainability implies nothing more than stasis—the ability to continue in an unchanged manner—but often it is taken to imply development in a sustainable manner (Marsden 2000; Hart and Milstein 2003) and the terms sustainability and sustainable development are for many viewed as synonymous. Ever since the Brundtland Report was produced by the World Commission on Environment and

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<sup>5</sup>Similarly once an animal or plant species becomes extinct then the benefits of that species to the environment can no longer be accrued. In view of the fact that many pharmaceuticals are currently being developed from plant species still being discovered this may be significant for the future.

Development in 1987 there has been continual discussion concerning development (Chambers 1994; Pretty 1995) and this has added to the confusion between sustainability and sustainable development.

## 1.4 Globalisation, Homogenisation and Convergence

The world is getting smaller through globalisation and mediums such as the Internet are bringing people closer together; indeed ITC (Information and Communication Technology) will eventually change the way organisations operate and society itself will also change. As the world shrinks different cultures are coming into contact with each other. This is having an effect on different areas of life and business is no exception. As Solomon and Solomon (2004: 153) state, 'International harmonisation is now common in all areas of business'.

When cultures meet it is the dominant culture that prevails; thus for example Solomon and Solomon (2004) highlight concerns that the Anglo—American model of corporate governance, is becoming more prevalent internationally than others. It could be argued on a number of levels that this is not the best way forward as countries have their own individuality. As Cornelius (2005) states, if all countries were the same it would erase the competitive advantage that some countries have over others. Perhaps Marshall McLuhan (McLuhan and Fiore 1968) was correct in arguing that future wars would be over economic resources. At the same time there are organisations such as the OECD which are promoting a need for a basic global standard of corporate governance. Indeed governance has become an issue for all organisations and even for governmental bodies—problems in organisations such as FIFA highlighting this need.

Probably since the mid-1980s, corporate governance has attracted a great deal of attention. Early impetus was provided by Anglo-American codes of good corporate governance.<sup>6</sup> Stimulated by institutional investors, other countries in the developed as well as in the emerging markets established an adapted version of these codes for their own companies. Supra-national authorities like the OECD and the World Bank did not remain passive and developed their own set of standard principles and recommendations. This type of self-regulation was chosen above a set of legal standards (Van den Barghe 2001). After big corporate scandals corporate governance has become central to most companies. It is understandable that investors' protection has become a much more important issue for all financial markets after the tremendous firm failures and scandals. Investors are demanding that companies implement rigorous corporate governance principles in order to achieve better returns on their investment and to reduce agency costs. Most of the times investors are ready to pay more for companies to have good governance standards. Similarly a company's corporate governance report is one of the main tools for investor'

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<sup>6</sup>An example is the Cadbury Report.

decisions. Because of these reasons companies cannot ignore the pressure for good governance from shareholders, potential investors and other markets actors.

On the other hand, banking credit risk measurement regulations are requiring new rules for a company's credit evaluations. New international bank capital adequacy assessment methods (Basel II) necessitate that credit evaluation rules are elaborately concerned with operational risk which covers corporate governance principles. In this respect, corporate governance will be one of the most important indicators for measuring risk. Another issue is related to firm credibility and riskiness. If the firm needs a high rating score then it will have to pay attention for corporate governance rules also. Credit rating agencies analyse corporate governance practices along with other corporate indicators. Even though corporate governance principles have always been important for getting good rating scores for large and publicly held companies, they are also becoming much more important for investors, potential investors, creditors and governments. Because of all of these factors, corporate governance receives high priority on the agenda of policymakers, financial institutions, investors, companies and academics. This is one of the main indicators that the link between corporate governance and actual performance is still open for discussion. In the literature, a number of studies have investigated the relation between corporate governance mechanisms and performance (e.g. Agrawal and Knoeber 1996; Loderer and Martin 1997; Dalton et al. 1998; Cho 1998; Bhagat 1999; Choles 2001; Gompers 2001; Patterson 2002; Heracleous 2001; Demsetz and Villalonga 2002; Bhagat and Jefferis 2002; Becht et al. 2002; Millstein and MacAvoy 2003; Bøhren and Ødegaard 2004) Most of the studies have showed mixed result without a clear cut relationship. Based on these results, we can say that corporate governance matters to a company's performance, market value and credibility, and therefore that company has to apply corporate governance principles. But most important point is that corporate governance is the only means for companies to achieve corporate goals and strategies. Therefore companies have to improve their strategy and effective route to implementation of governance principles. So companies have to investigate what their corporate governance policy and practice needs to be.

Since corporate governance can be highly influential for firm performance, firms must know what are the corporate governance principles and how it will improve strategy to apply these principles. In practice there are four principles of good corporate governance, which are:

- Transparency,
- Accountability,
- Responsibility,
- Fairness.

All these principles are related with the firm's corporate social responsibility.

## 1.5 Globalisation and Accounting

The tools of accountancy are its accounting and financial models. Accountancy has its work cut out to continue developing GAAP<sup>7</sup> models for external reporting that can be applied universally across the world and this work is in hand. Models for the production of internal financial information are much less well developed and standardised. Less progress is being made here partly because of strong resistance by corporate managers, often on the grounds that more transparency would erode their competitive advantage. Better internal financial management models must be devised. They must be coherent with external financial information models if they are to achieve the level transparency needed to monitor and control the changing intentions of corporate managers. There may be a case for more standardisation and possible regulation of these models.

As far as external financial information models are concerned then progress is being made to improve accounting worldwide and update it to increase its relevance in the 'global village' that we now all live. New international accounting standards have been introduced from 1 January 2005 (Deloitte 2004). The aim is to harmonise accounting practices across the world which is crucial to providing a regulatory environment to monitor and control international activities, especially those of multinational companies, who can exploit gaps in different accounting regimes to their own advantages. There is a wide variety of practices world wide making harmonisation a challenge requiring compromises at national level to move towards world wide standardisation. If successful, external accounting reports across the world will become more universal, comprehensible and transparent. Accounting as a profession will be more uniform across the world with the possibility of more ready transferability of accounting skills. To achieve international harmonisation the focus must be, at least initially, on eroding differences rather than expanding the overall scope of regulation and conforming to the international standard may also reduce flexibility at national level. For these reasons, it may be that innovative solutions for the improvement of internal financial management information will emerge from sources other than the international standard setting process (Eastburn 2000).

Fundamental to the management of an organisation is the need to separate the core cost of generating income on an ongoing basis from all other costs. Both the trading account and the cost of sales used in GAAP models purport to make this distinction but in fact do not do so. Separating core and discretionary costs would provide better financial management information to managers than if the GAAP model is used on its own. There is a possibility of using of value based models to overcome the weaknesses of GAAP models for the provision of relevant and useful financial management information. The main recommendation of value based management is to separate operating and investing activities (Copeland et al. 2000), which more or less correlate to core and discretionary costs. The purpose is to

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<sup>7</sup>Generally Accepted Accounting Practice.

classify expenditure transactions according to the characteristics of the return on that expenditure.<sup>8</sup> Operating transactions have a quick return whilst investing transactions have a longer term return cycle. This theme is continued with the further classification to value streams<sup>9</sup> (Baggaley and Maskell 2003), also recognised on the basis of different characteristics of return on expenditure. As yet, few organisations currently apply value based models for day to day management, but those that do, also continue to use GAAP models. It is important that individual organisations develop alternative solutions to improving their financial management information because it is vital as a potential source of competitive advantage.

There is no compulsion on organisations to use GAAP models as the basis of their internal financial management information. When an organisation does use GAAP as the basis of its financial management information it will be able to monitor the impact of management on external reporting. Internal and external financial information can be reconciled readily and this alignment will ensure a high level of transparency (Adler and Borys 1996; Ahrens and Chapman 2004). The lack of regulation over the use of models for internal use gives managers a degree of discretion which they can exploit to 'fudge' the links between the internal and the external information. In this way, their activities are not transparent. Auditors and stakeholders are unable to unlock the information for their purposes and the accountability trail is broken. Managers often justify such actions on the grounds of competitive advantage. One solution might be to develop GAAP models to fully support financial management information requirements as well as external reporting and regulate their use. This would ensure greater transparency but may have consequences on the competitive position of the organisation and this issue would need to be addressed in some way.

Just as slow has been the harmonisation of the rules that determine economic activity throughout the world which originally varied from country to country. Where there has been a high degree of world wide standardisation there have been opportunities to develop world wide channels of communication and trade. The information profession, for example, has benefited from a high level of standardisation of technical rules which has allowed the www to develop. The benefits of a world wide level playing field are not universally accepted as the erosion of national specialities can be eroded along with conformation with global standards. The accountancy profession, lagging behind, as failed to achieve a high degree of harmonisation across the world and managers of organisations have exploited the loopholes thus created with as much attention as any other lucrative source of business. Whether or not harmonisation is ultimately good or bad the process of harmonisation has increased complexity in the short term. There is still a long way to go, but partial harmonisation is worse than either of both extremes, and accelerating the pace of harmonisation to a situation where complexity starts to reduce

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<sup>8</sup>Return on expenditure is not the traditional ratio, return on investment ROI. Instead it is used loosely to describe the streams of future cash flows that relate to the expenditure.

<sup>9</sup>Also known as lines of business.

will be a major factor in accountancy becoming a more useful tool once again for monitoring and influencing organisational behaviour.

## 1.6 Responsibility and Governance in Sustainability

It is clear that the issue surrounding responsibility (corporate and organisation), governance and sustainability are intertwined to a significant degree and each cannot be adequately addresses without a recognition of the others. These issues are addressed in a variety of ways by the contributors to this volume. Firstly aspects of the issues are addressed at a theoretical level by contributions from O'Neil considering the triple bottom line; Moyeen considering stakeholder engagement; Bolton considering complexity in decision making; and Crowther and Seifi considering the need to redefine CSR. Following from this, different aspects of sustainability are considered by various contributors. Thus Nguyen considers energy efficiency in emerging economies; Greenland, Dalrymple, Levin and O'Mahoney consider agricultural water management; Gretebeck looks at solar lighting in Cambodia; while Rabello, Anderson and Nairn consider the oil and gas industries. In the final section a number of organisational perspectives are investigated. In this section Bhinekewati considers social capital in the supply chain; Morton and Greenland consider tobacco branding; Paynter, Halabi and Lawton investigate CSR reporting; Gomez, Pujois, Alvarado and Vargas investigate higher education; and Song-Turner looks at green hotels in China.

The issues are complex and these contributions demonstrate the wide variety of ways in investigating this. There are a considerable number of topics covered and contributions made from people from all over the world. We believe that this is one of the strengths of this book in both showing the diversity of issues but also the commonality of concerns from people worldwide. It is clear however that presenting such a variety can only extend the debate, and so bring us nearer to identifying conclusions and further action. Please feel free to comment on any of the ideas (via the editors) or to propose further contributions to the debate in future volumes.

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**Part I**  
**Theorising the Relationship**

# Chapter 2

## **‘People, Planet, Profits’ and *Perception Politics*: A Necessary Fourth (and Fifth) Bottom Line? Critiquing the Current Triple Bottom Line in the Australian Context**

Jessica O’Neil

**Abstract** The 1990s saw the emergence of one of the most influential aphorisms in the area of sustainable development: ‘People, Planet, Profits’. Coined by John Elkington, ‘The Triple Bottom Line’ (TBL) motivates a kind of “balancing-act” benchmark for businesses to aspire to in the areas of social, environmental and financial responsibility. Importantly, the TBL continues to hold relevance, in theory and in application, considering the increasing global concern for sustainable development as well as with regards to practices concerning social and corporate responsibilities. Whilst this alleged “win-win-win” strategy places important emphasis on the role of business to lead the way towards sustainable development, the complexity of governance and the influence of political parties on the process, has gone underemphasised. This chapter supports that the inclusion of a fourth (and fifth) ‘P’ should be introduced to the TBL, in order to take the influence of governance into greater and more specific consideration on the issue of sustainable development. The notion of ‘Perception Politics’ will be explored in terms of the impact of politics, political parties and policymakers on society, business and the natural environment, whether real or imagined, given the *perceptive* nature of public polices and political discourse. Whilst a difficult concept to measure, to explore the possible application of Perception Politics, this paper analyses the *Reef 2050 Long-Term Sustainability Plan* (2015) as released by the Australian Liberal Party, in their endeavours to *save* the Great Barrier Reef in Queensland. This example is used to justify why the current framing of the TBL would struggle to implement, in isolation of the political sector, necessary sustainable development measures. Ultimately, this chapter emphasises that the redevelopment of the TBL framework has great potential in fostering a more effective relationship between business, politics and society to achieve goals crucial to the sustainable development journey.

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**Keywords** Environmentalism · Sustainable development · Triple bottom line · Perception politics · Great Barrier Reef · Australian politics

## 2.1 Business, Politics, Society and the Natural Environment: The “Foursome” that Needs to Work

The imperative to improve relations and collaborations between business, politics, society and the natural environment can no longer be viewed as an optional activity, but rather, a necessity, especially in the area of sustainable development. The twentieth and twenty-first centuries, in particular, have fronted all nation states—along with each of these groups—with an awkward, and highly conflicting, responsibility; nation states have been asked to collaborate, plan and implement a viable path towards sustainable development in response to global warming and climate change concerns, whilst also acting within their mandated responsibilities to provide economic and social progress for their nation’s society. What has manifested however, is the clear conflict for said nation states to protect and operate within their own sovereignty, while balancing the need, at least within the current international system’s expectation, to be a globally *cooperative* actor. For Australia, in particular, this has been an interesting conflict to observe. Not only does the nation state have an intertwined economic reliance with natural resources, such as coal and Liquid Natural Gas (LNG), the state, arguably, continues to lack an observably strong political momentum across the board, when it comes to the creation of any viable path towards sustainable development; put otherwise, for researchers, it remains difficult to ascertain what policymakers intend to do, or not do, in the realm of sustainable development, let alone, with regards to global warming and climate change responses. To complicate matters further, Australia has one of the most exploited, yet fragile ecosystems on the planet, as supported by research conducted by the much respected Geographer, Biologist and Pulitzer Prize winner, Dr Jared Diamond. In his book *Collapse: How Societies Choose to Fail or Survive* (2011, 436) Diamond explains that “[e]cologically, the Australian environment is exceptionally fragile, the most fragile of any First World country except perhaps Iceland.” In addition, Diamond also highlights the clear key conflict that Australia faces with its mining industry, arguing that (2011, 435):

Mining in the literal sense—i.e., the mining of coal, iron, and so on—is a key to Australia’s economy today, providing the largest share of its export earnings.

In a metaphorical sense, however, mining is also a key to Australia’s environmental history and to its current predicament.

Lastly, and most alarmingly, Diamond predicts that “[a]t present rates, Australia’s forests and fisheries will disappear long before its coal and iron reserves, which is ironic in view of the fact that the former are renewable but the latter aren’t.” (2011, 436) Considering this, Australia in particular cannot afford to ignore

or delay the call to act when it comes to sustainable development, nor should it presume that it can do so in isolation of the world, let alone by any of its key stakeholder groupings without the others. More now than ever, the need for business, politics and society to collaborate is at its most crucial juncture, making it one of the most important endeavours for Australia (and other nation states) to undertake within the twenty-first century.

In arguing the above, however, this chapter does not suggest that this task will be in any manner, *easy*. Tackling sustainable development is a feat in and of itself and doing so alongside other national and international demands is proving to be quite difficult on political, business and societal grounds. As global pressure continues to mount for nation states to take viable steps to protect the world's environmental stability, so too does the demand for economic, social and political progress. For example, in the case of Australia, the 2016 Federal Budget, handed-down by the currently led Malcolm Turnbull government, lauded their use of the catchcry "jobs and growth" (Commonwealth of Australia 2016). Aimed at promoting their plans to enhance employment opportunities and jump-start the economy, this catchcry not only overwhelmed discussions concerning environmental and social investments, but prompted an understandable '*please explain*'—particularly by the business community—out of fear that this would be just "...another three-word political slogan with no substance." (Innes 2016) In this case, a clear disconnect between businesses and the Federal Government emerged, as goals and expectations became confused, while everyday voters and the natural environment were seemingly left out of the mix, or perhaps, incorrectly, mistaken as being thoroughly accounted for in the midst of budget promises and unheard discussions. What this confusion suggests is that trying to appease a working relationship between business, politics, society and the natural environment, is an irritatingly difficult task; not only has Australia proven to lack political leadership and togetherness in economic and social matters, the state's silence on environmental concerns has become overwhelmingly deafening. This uncertainty has not only affected Australia's capacity to govern effectively, but also provided a *blind-leading-the-blind* march towards sustainable development for both business and society, even independently of the political process. Importantly, this is all taking place while the natural environment waits for the world to make their moves, with the threat of climate change looming and no direct seat at the table to fend for itself.

Whilst the above critiques on the lack of collaboration between business, politics and society, are, arguably, within reason, researchers are no longer achieving enough by simply criticising this dynamic without trying to better understand it, especially within the context of Australia. No solution towards sustainable development in this nation state—or any other pressing economic, social, political or environmental concern for that matter—can be devised if the discussion simply stops at criticism. One especially troubling dynamic between the four aforementioned groups is that between business and politics in particular. The influence of politics, political parties and policymakers on a nation state's endeavours should not be underestimated, as is often done by the business community. Whilst no claim to the perfection of the political sector is being made here, the business sector is,

at times, guilty of identifying themselves as self-defined *leaders*, operating inside and outside of the regulatory process, and—within various degrees of success—the expectations and needs of its stakeholders, including the natural environment. As will be further explored in this chapter, some businesses worldwide have been quick to condemn the slow pace of governments to enact reforms or forge clear directions on new policy needs, leaving the business sector to try and *pick up the slack*. On the flip side, some political parties and policymakers can be quick to criticise the business community for either contributing excessively to issues concerning economics and the environment, or alternatively, not doing enough to respond to issues, particularly concerning employment and Corporate Social Responsibility (CSR). Ultimately, these two groups are very quick to criticise each other, not necessarily realising that society alone cannot possibly be expected to deal with the crisis of environmental uncertainty in the midst of constant quarrel. Considering, however, that Australia's eligible societal members vote in political parties, and not businesses per se, it is important to first establish who some of these key political influences are, and why we cannot simply categorise them as all being part of the *same* political problem when it comes to approaching sustainable development.

Australia's various political parties have all offered their own interpretation as to what sustainable development in Australia should *look* like, whether via a process of perception or, arguably, implementable grounds. No party, however, has been able to implement their interpretation of sustainable development, policy-wise, without severe criticism on the part of other policymakers, business figures and/or the voters, with one prominent case resulting in the complete reversal of a climate change policy—namely—the *Clean Energy Act 2011* also known colloquially as 'The Carbon Tax'. Put simply, this policy attached a price to Australia's carbon emissions, aimed particularly at the largest carbon emitters in the state (Australian Government—Clean Energy Regulator 2016). Infamously, however, the limited time span of this policy gained Australia the title of being the first and, to date, the only nation state to reverse a climate change policy in the world (Coorey 2014). When implemented in 2012, the journey of the 'Carbon Tax' contained a number of extremely controversial policy—moves on the part of the major, and some minor parties, which not only concerned but also confused voters and the business community as to whether or not the policy was in fact *justifiable* in the context of the goals it wished to achieve. Summarised briefly, the policy was implemented by the Australian Labor Party (ALP), alongside negotiations with The Greens and certain Independents, only to be repealed by the Liberal-National Coalition (LNC) during 2014. Whilst only quickly assessed here, what the overall journey of this policy suggests, however, is the necessity for Australian businesses and society to recognise the very real impact of policymakers and political parties on the journey towards any policy implementation, and that, rarely, is this journey ever without controversy. Further, and of great importance to also recognise is that policies concerning the natural environment in general have a very little chance of surviving their implementation if greater collaboration between policymakers, the business community and society does not take place.

Considering this phenomenon, naturally, researchers have worked to devise any applicable frameworks to ease and necessitate the imperative towards sustainable development, whether in conjunction with, or in isolation to, the policy making process, especially considering the already well-established controversy associated with this journey. Looking back to the 1990s, John Elkington, a well-established and achieved writer, entrepreneur and sustainability expert, created one of the most famous and influential aphorisms of the twentieth century: 'The Three P's' (3P's), which each included a mention to People, Planet and Profits. Also known as, 'The Triple Bottom Line' (TBL) Elkington presented a kind of balancing-act benchmark for businesses to work towards, making sure that all of their endeavours were aimed at providing for society, protecting the natural environment and placating all necessary financial obligations. What is interesting about this aphorism, and as will be explored further in this chapter, is the lack of mention to the influence of politics on this mix. As noted previously with Australia's former 'Carbon Tax' policy, political parties have had an observably active impact on the state's creation of environmental policies. Regardless of whether the 'Carbon Tax' was a viable policy or not, the fact remains that before any collaborative discussions could take place between policymakers, business figures and the voting population in particular, the policy was already rapidly implemented and hastily repealed. As such, not taking politics into consideration, as this chapter supports, is a concerning, and arguably, unproductive, oversight. Business and society, in particular, cannot afford to ignore the influence of politics and policymakers, thinking that their efforts in isolation will be enough to *lead the way*. This chapter supports that this way of romanticised thinking will not, in practice, allow for any substantial progress towards sustainable development, unless a viable collaboration can be achieved, acknowledging as well that whilst the natural environment cannot in and of itself, collaborate, it also cannot be left out of the discussion. As such, this chapter supports the inclusion of a fourth and fifth 'p' to Elkington's TBL, that being, 'Perception Politics', critiquing, of course, it's conceptual application to the aphorism as well as its practical application to a key sustainable development issue in Australia concerning its iconic, Great Barrier Reef (GBR). By first situating Elkington's TBL, as initially expressed within two of his key texts 'Towards the Sustainable Corporation: Win-Win-Win Business Strategies for Sustainable Development' (1994) and *Cannibals With Forks: The Triple Bottom Line of 21st Century Business* (1997), and analysing the policy measures suggested and/or implemented by the current federally led LNC<sup>1</sup> on protecting and preserving the GBR, this chapter will support the inclusion of a political element to the TBL, emphasising that whilst the TBL may support businesses taking the lead when it comes to sustainable development, for the case of Australia and the GBR, the impact of a political influence cannot be left out of the mix.

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<sup>1</sup>Whilst this chapter is focusing solely on the intended policies on the part of the LNC for implementation to protect the GBR, note as well that further analysis would need to take place to also consider the impact of the ALP and The Greens, in addition to other political parties, on the very same policy. Such analysis is beyond the scope of this particular chapter, but is suggested for consideration within additional research.

## 2.2 What Is *Sustainable Development*? and Who Actually Makes up This *Foursome*?

Of vital importance to recognise about the term ‘Sustainable Development’ is that in nearly 20 years, the most common framing of the term has remained largely the same; in short, the general framing of the term relies on the idea of present generations meeting their needs in a way that does not inhibit future generations from meeting their needs. The conceptualisation of this term is often credited by the commissioning of a report during the 1980s, often shorthanded as ‘Our Common Future’. Published in 1987, the report is also correspondingly referred to as ‘the Brundtland Report’ after the WCED’s Chairman, Former Minister of the Environment and Former Prime Minister of Norway, Gro Harlem Brundtland. The World Commission on Environment and Development (WCED) was assembled by the United Nations in 1983 to investigate concerns regarding long-term strategies for sustainable development into the twenty-first century, to make recommendations for co-operation between nation states with an acknowledgement for the interconnectedness among people, the natural environment, resources and development, as well as the international community, and, as taken directly from the report (United Nations—Report of the World Commission on Environment and Development: *Our Common Future* 1987):

...to help define shared perceptions of long-term environmental issues and the appropriate efforts needed to deal successfully with the problems of protecting and enhancing the environment, a long term agenda for action during the coming decades, and aspirational goals for the world community.

The impact of the Brundtland Report should not be understated or underestimated, given that, as mentioned before, the overwhelming narrative concerning sustainable development has been mostly embraced and largely unquestioned, since this report. For example, as supported by the International Institute for Sustainable Development (IISD 2015), “.the most frequently quoted definition [of sustainable development] is from *Our Common Future*, also known as the Brundtland Report.” Specifically though, and as also cited by the IISD (2015):

Sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs. It contains within it two key concepts:

- the concept of **needs**, in particular the essential needs of the world’s poor, to which overriding priority should be given; and
- the idea of **limitations** imposed by the state of technology and social organisation on the environment’s ability to meet present and future needs.

In his book, *Cannibals with Forks*, Elkington acknowledges that the Brundtland Report placed sustainable development, a notion that had been on the scene since the 1980s, strongly onto the political agenda at the international level (1997, 55).



Further, Elkington supported the Brundland Commission's argument that industrial production would increase "5-7-fold" during the mid-twenty-first century and that even though this increase would not be the best outcome for the world's natural environment, it was the outcome that everyone would have to prepare and control in practice when the time came (1997, 55).

Whilst this concern has not been overtly addressed in the Australian Government's definition of sustainable development, its definition remains relatively in keeping with that expressed within the Brundtland Report. One of the ". key functions of the [Department of the Environment, Water, Heritage and the Arts] is to promote and support ecologically sustainable development." (Australian Government—Department of the Environment and Energy). Specifically, this department promotes that (2016a):

Australia's *National Strategy for Ecologically Sustainable Development (1992)* defines ecologically sustainable development as: 'using, conserving and enhancing the community's resources so that ecological processes, on which life depends, are maintained, and the total quality of life, now and in the future, can be increased'.

Considering the responsibilities that this government agency has been legislated to uphold, acknowledging the importance of including political parties and policymakers into the equation for sustainable development is, arguably, crucial, considering as well the key concerns Elkington has raised concerning ongoing development and infrastructure that will likely ensue, and under the Australian Governments mandated watch. To what extent, however, the Australian Government is able to deliver on its sustainable development mandate versus what it claims to be able to deliver upon, will of course, always be up for debate. In addition to this, whilst further exploration of the complexities of the term sustainable development is beyond the scope of this chapter, it does however support a re-evaluation of the term to determine its current appropriateness. In terms of its applicability, what is worth pointing out about the term is its conceptualised nature; the sheer use of the term to describe a situation does not offer an immediate practical insight into its achievement despite its need to be so concretely achievable in nature.

In terms of categorising the various members within the four aforementioned groups: business, politics, society and the natural environment this chapter has set the following parameters, acknowledging that these may not be universally applicable to all nation states.

### Business:

Any reference to the business sector includes a mention to those organisations either small or large in nature which operate independent of government control, yet with the assumption that government regulations, members of society and the natural environment are factored into the decision-making process with regards to operations and finance. Further, this sector should be acknowledged for its capacity to influence and impact the politics sector in terms of suggested and/or implemented policies, as well as members of society and the natural environment.

Politics:

This sector may also be referred to its included groupings, that of political parties and/or policymakers. This term should be altered to suit the specifics of any political system being analysed, however, in the Australian case, mention to this sector includes those parties and policymakers who have been democratically elected by eligible voters, and are thus held accountable to the state's enforced legal apparatus. This sector is acknowledged for its capacity to directly introduce laws, policies and/or regulations, which can be legally enforced upon businesses, society and the natural environment. Lastly, this sector should be acknowledged for its capacity to directly impact the natural environment.

Society:

This sector refers to all people, regardless of culture, ethnicity, age or geographic location who are considered legal residents or citizens of a state (in this case Australia). It could be argued that all citizens or residents could fall into the business or politics sectors, however, this grouping refers specifically to who do not have a position or endeavour (business or political in nature) which could justify their inclusion into the other groupings. This sector is acknowledged as being able to be directly influenced and affected by the business and political groupings, whilst also being able to also influence both with their activities, ideologies, beliefs and responses to business endeavours and/or those policies suggested and/or implemented. Further, the society group should also be acknowledged for its capacity to directly impact the natural environment.

Natural Environment:

This sector has been understood within the scope of this chapter as those regions in the world which encompass the combined interaction of naturally occurring fauna, flora (and those living organisms not categorised within flora or fauna), weather/climate patterns, within a variety of ecosystems (including land, sea and air) on Earth. Importantly, the natural environment has the symbiotic capacity to both impact, and be impacted by, the developed world, including business, politics and society.

### **2.3 John Elkington and the Triple Bottom Line (TBL)— Who Is *Really* Responsible for Addressing Sustainable Development?**

It is important to reiterate that what this chapter is seeking to do is to undertake an analysis that explores the viability of extending Elkington's TBL to include a fourth and fifth 'p' to more acknowledge the impact of policy and politics on sustainable development. In addition, it aims to assess to what extent this extension (to be explored later in the chapter), is the most appropriate to suggest. For the past 20 years in particular, Elkington has gained notoriety as a leading figure in the field of

sustainable development, pushing further and further a global imperative for the *greening* of consumers, the market and businesses alike.<sup>2</sup> Elkington “has been described as a world authority on corporate responsibility and sustainable development and is credited with coining the ‘triple bottom line’ concept for business.” (Volans 2016) Elkington is also well-known for the creation of his business, SustainAbility. Founded in 1987 by Elkington and activist Julia Hailes, after the Brundtland Report was published, the company’s “early work on green consumerism soon expanded to emerging issues from genetic modification to human rights, and evolving the concept of the ‘triple bottom line’, coined by Elkington in 1994s *Cannibals with Forks*.” (SustainAbility—‘Our Story’ 2016) In addition, as a consultancy firm, SustainAbility pledges to “help clients make better decisions, integrate sustainability into their business and create innovative solutions.” (SustainAbility—‘What We Do’ 2016) Whilst Elkington’s work within SustainAbility could also be analysed in terms of his contribution to, not only the TBL, but also sustainable development, an exploration and critique of these endeavours are best explored within the scope of another paper. As such, this chapter will be focusing solely on Elkington’s original construction of the TBL as its launch into the field of sustainable development through two of his prominent texts. The first of these texts was an article published in 1994, titled: ‘Towards the Sustainable Corporation: Win-Win-Win Business Strategies for Sustainable Development.’ Whilst the ‘Win-Win-Win’ mention here may be interpreted as an unintended prophetic allusion to Elkington’s PPP aphorism, the specifics of the TBL are not overtly explored within this article. What makes this article important to explore though within the context of critiquing the TBL are some of his earlier positions on the role of business to lead the way in the journey towards global sustainable development.

For context, this first article explored the increasing global emergence of “green consumers”, whom, in turn, began to place greater pressures on business to take steps to allow for an overall “greening” of the market. With reference to a study on environmental attitudes by the George H. Gallup International Institute in 1992,<sup>3</sup> Elkington situates that this phenomenon referred to, generally speaking, businesses and consumers demonstrating greater concerns for environmental stability and the need to ensure products and services were as least harmful to the environment as possible (Elkington 1994, 92). In exploring this, however, Elkington observed that the majority of countries were still far off from any clear transition towards the sustainable development cause, let alone any effective transition towards the embrace of sustainability as a “national priority” (1994, 91). Quite alarmingly, more

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<sup>2</sup>See *Elkington and Hailes (1988)*. *The Green Consumer Guide: From Shampoo to Champagne: High—Street Shopping for a Better Environment*. London: Victor Gollancz.

<sup>3</sup>This study interviewed over 20,000 people in 22 nation states with the aim of examining opinions and perceptions on the topic of environmental concerns. See Riley E. Dunlap, George H. Gallup, and Alec M. Gallup, ‘The Health of the Planet Survey: A Preliminary Report on Attitudes to the Environment and Economic Growth Measured by Surveys of Citizens in 22 Nations’ (Princeton, NJ: The George H. Gallup International Institute, May 1992).

than 10 years later, this is still arguably the case considering a general global malaise towards climate change, economic stability and forethought for future generations. Despite this, however, the impression that is arguably given within Elkington's (1994) article concerns a strong emphasis for business to *lead the way* for the world's journey towards sustainable development. Elkington posits that we all must "hope" that those in the business community will enthusiastically involve themselves in implementing projects related to the sustainable development cause, noting that "[i]n contrast to the anti-industry, anti-profit, and anti-growth orientation of much early environmentalism...", it is now evident that the business world is obliged to undertake a principal position in delivering the achievements required for sustainable development (1994, 91). In addition, Elkington further stressed that not only business, but business leaders, should also be purposely concerned with how communications concerning the environment took place (1994, 97). Further, Elkington argued that if business leaders failed to be involved in this part of the process that they would be risking the present and future success for their businesses, the value of said businesses would also be questioned, along with their standing as a "responsible corporate citizen", and, lastly, their "competitive advantage as customers and consumer turn to others who are—or are *seen* to be—more environmentally responsible." (1994, 97)

Whilst these arguments—along with Elkington's overall desire—for business to play a "central role" in the development of more sustainable strategies for the world is not being challenged here, what is however curious to the author is the lack of a mention to governments, policy or even politics worldwide that could potentially interfere—or, ideally, work alongside, business in this endeavour towards sustainable development. In saying this, Elkington does, however, acknowledge the important influence of society. He acknowledges that unsurprisingly, a noteworthy trend in recent years was the "greening of the marketplace" as motivated by the manifestation of the "green consumer" (1994, 92). Whilst it had been previously presumed that consumers were uninterested in environmental concerns, this degree of apathy was no longer being observed; Elkington also stated that this was a key observation to take into consideration, because "citizens voters, consumers, employees, and so on." would be critical to any future global movement towards sustainable development (1994, 92). What is particularly curious about this statement is that Elkington has made a direct mention to "voters" here, however, similar to before, there is no subsequent mention to governments, policy or politics. To what extent then would Elkington support, or contest, as such, that the "political" plays an influential role on businesses and societies in their transition to becoming more *green*? As mentioned earlier, whilst a hardcopy of this study is not available within the author's accessible libraries in Australia, the study undertaken by the George H. Gallup International Institute in 1992, contained, even just within its abstract, the following statement concerning the results of their study: "Respondents tended to actively promote environmental protection in their consumer behaviour, political action, and group membership." (Popline—K4 Health 2016) Whilst the specifics of this mention would need further evaluation, given that at least some of the respondents in this study did make mention the need for

“political action”, why have the political concerns of even Elkington’s mention to the “green consumer” (1994, 92) gone unmentioned and unexplored? Even if businesses are sceptical on the capacity of political parties and policymakers to achieve any substantial progress in the areas of environmental concerns (or even sustainable development) this does not mean that members of a society, in question, do not expect their political leaders to take action on the matter. Further, and even more crucially, Elkington’s article also refers back the Brundtland Report, a document overseen by, as mentioned earlier, the former Minister for the Environment and former Norway Prime Minister, Gro Harlem Brundtland. In her foreword to this report, Brundtland made the following observations (United Nations 1987):

We live in an era in the history of nations when there is greater need than ever for co-ordinated political action and responsibility.

After a decade and a half of a standstill or even deterioration in global co-operation, I believe the time has come for higher expectations, for common goals pursued together, for an increased political will to address our common future.

We needed people with wide experience, and from all political fields, not only from environment or development and political disciplines, but from all areas of vital decision making that influence economic and social progress, nationally and internationally.

Brundtland, however, has not been the only one to emphasise the need to include politics into the mix of national and international decision-making. Aristides Katoppo, an Indonesian environmentalist, journalist and political activist, argued the following, which was also published within the Brundtland Report (United Nations 1987):

I think this Commission should give attention on how to look into the question of more participation for those people who are the object of development. Their basic needs include the right to preserve their cultural identity, and their right not to be alienated from their own society, and their own community. So the point I want to make is that we cannot discuss environment or development without discussing political development. And you cannot eradicate poverty, at least not only by redistributing wealth or income, but there must be more redistribution of power.

At the core of understanding the role that politics plays in any given scenario is the necessity to understand the dynamics that power plays in any given situation. Any political scientist will assure of this. Importantly, though, and as also emphasised by Brundtland herself, with any issue of power comes with it the issue of who to assign to deal with it. Lastly, and as also referenced within the Brundtland Report, is a quote by the speaker from the floor during a World Commission on Environment and Development (WCED) Public Hearing on the 26 March 1985. They stated that (United Nations 1987):

In the case of environmental problems, it is obvious that the problems cannot be solved by one group, one group working in separation. You cannot say because people are dying of poisoning, it is the Ministry of Health that will solve it. Or to say because it comes from factories, it is the Ministry of Industry. That is impossible.

All of the aforementioned statements are, arguably, quite powerful in their assertion for “political action”, “political will” and “political disciplines”, to be involved in national and international decision-making endeavours. This chapter supports and shares these very same assertions, acknowledging as well, just as Brundtland herself and these other contributors have, the need for a multitude of disciplines, including those from business and society, to contribute to crucial decision-making processes, and not just in the area of sustainable development, but especially so. Given the emphasis of the political, as well as society, within the Brundtland Report, it is, arguably, problematic for Elkington to not have acknowledged the same, alongside his reference to this very report, within his 1994 article. It becomes quite problematic to “pick-and-choose” which sectors or elements to take into consideration when sustainable development deserves no less than a multidisciplinary, multi-faceted, all-round approach. In saying this, it is also quite problematic in nature that the Brundtland Report makes fewer references to business than politics throughout the document.<sup>4</sup> For further evaluation, what has and has not been explored within this report should be further investigated in a further paper. As such, this issue of *collaboration* is not only an issue to be raised within the framework of the TBL, or even within Elkington’s writing in isolation, as this is very possibly an issue endemic to both politics, business, society and perhaps even those organisations not nicely categorised in any of these, including the United Nations.

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In 1997, the release of Elkington’s *Cannibals With Forks*, introduced the framework of the TBL. On its specific creation of the TBL, Elkington stated that (Elkington in Henriques and Richardson 2004, 1):

...in 1994 we had been looking for a new language to express what we saw as an inevitable expansion of the environmental agenda that SustainAbility... had mainly focused upon to that point. We felt that the social and economic dimensions of the agenda—which had already been flagged in 1987s Brundtland Report (UNWCED, 1987)—would have to be addressed in a more integrated way if real environmental progress was to be made. Because SustainAbility mainly works, by choice, with business, we felt that the language would have to resonate with business brains.

As mentioned before, what is also curious about this statement, three years on after his previous article, is that, despite the Brundtland Report, to an extensive extent, acknowledging the role of politics, Elkington’s mention of said report continues to avoid this fact. Elkington makes his stance clear though; with reference to a move towards a “global cultural revolution”, he supported that “[b]usiness, much more than governments or non-governmental organizations, will be in the driving seat.” (Elkington 1997, 3). Furthermore, Elkington supported that whilst there was an interest in the “central” position of governments, the imperative was to place more of a focus upon “.the emergence of a new breed of a

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<sup>4</sup>See United Nations. 1987. ‘Report of the World Commission on Environment and Development: Our Common Future’. Available Online: <http://www.un-documents.net/wced-ocf.htm>.

'green capitalist'." (1997, ix-x) This notion also previously explored in an earlier collaboration with Julia Hailes, a colleague of Elkington's, when they created *The Green Consumer Guide* (1988). Elkington claimed that by supporting a change within our daily consumer choices, without even being consciously aware, that we could convey a commanding message to not only retailers but the entirety of the business world (1997, x).

Whilst the importance of reaching society and business with this guide goes very much undisputed, an unnerving question needs to be asked; why was it not a key aim of this guide to also reach politics and policymakers around the world as well? In saying this, later within *Cannibals With Forks*, Elkington does provide a clearer stance on his positioning concerning policymakers. He notes that whilst "[politicians count. short electoral timescales mean that they are often extremely short-sighted." (1997, 344) Elkington admits, however, that the core issues concerning sustainability are often asked within "questions of power: who controls, who decides." (1997, 344) As such, he supports that the 'win-win-win' balance that his TBL framework requires, therefore, is this very discussion needing to combine considerations surrounding environmental and development concerns and in a way with which they are not both seen as one or the other, but rather "both/and" (1997, 344).

To achieve this, Elkington acknowledges that if concerns regarding sustainable development turn out to be accurate, that a new set of "leaders" will materialise, all of which will require a timely identification, as well as nurturing and backing as they manifest (1997, 344). These two comments are very interesting and insightful on the part of Elkington, especially as they are both somewhat removed from his previous statements on the role of policymakers and even the concept of power. Few would challenge his views with regards to politicians only operating in the timeframes awarded to them by the various electoral systems, and even fewer would challenge his degree of scepticism and cynicism over their capacities to lead, particularly in the area of sustainable development. In saying this, Elkington has acknowledged the influence that power has on the decision-making and planning process, and, not-to-mention, the high-likelihood of new leaders emerging to finally respond to the necessity of embracing sustainable development. Even if, as Elkington supports, these leaders require a degree of nurturing and support by businesses, and perhaps even society here as well, Elkington's TBL framework may be further encompassing of these challenges ahead if he also incorporated an element specifically acknowledging the role that these politicians, and politics, does in fact play.

## 2.4 'Perception Politics': The Fourth and Fifth 'P'?

So far, the aim of this chapter has not been formed to criticise Elkington's TBL framework or viewpoints on sustainable development, as they were expressed in his 1994 article and 1997 book, *Cannibals With Forks*. Instead, however, it supports the re-evaluation of this framework as was initially expressed in the mid-to-late

1990s, with the aim of considering an addition to the TBL, acknowledging in a more direct way the contribution to, and impact upon, by politics on this particular framework. If, as just previously explored, Elkington does acknowledge the impact that politics and politicians can have on power relations then surely this has awarded this group a greater *seat at the table*, cynicism aside? It would be foolish to presume that businesses and members of society would never conduct themselves in sceptical or cynical ways when it came to their embrace and implementation of sustainable development measures; as such, it seems problematic to exclude politics out of the 'People, Planet and Profits' aphorism, potentially on these grounds. Whilst only Elkington himself could really explain why politics was not given a greater role within the TBL framework during its initial conception, his insights into the roles of politics and business and particular, come across as businesses being vital in their leadership towards greater sustainable development (via their implementation of the TBL), with politics and politicians being influential on the process but not really needing too much acknowledgement of analysis on their roles. This chapter finds this alleged assertion problematic, prompting therefore a re-evaluation of this decision. Politics and politicians even start with the letter 'P', as such, whilst this is a quip and highly un-academic point of reasoning to make, the irony of it is far too good to also go unaddressed.

This chapter purports 'Perception Politics' instead of just 'Politics' as a way of emphasising the perceptive nature with which politics operates. Just adding 'Politics' to the mix, arguably, does not necessarily convey this idea *perception* idea immediately, and the need to understand politics within a perception lens is becoming a vital phenomenon for businesses and society to understand. In saying this, the notion that politics in many ways comes down to manners of *perception*, is in no way a *new* idea. This particular concept should continue to be explored in order to evolve with ever-changing political circumstances, however, what is crucial to understand about the concept of perception in the context of politics is that what society, businesses—and even politicians—think, feel and argue, does not need to have *truth* as its foundational base. What the "truth" actually is, at its fundamental core, can also be argued on a philosophical or even existential basis; however, when it comes to an area as specific as sustainable development, researchers may be quick to turn to scientific data supporting the ever-growing environmental concerns in relation to exploitation, climate change, renewable resources, to name but a few, as indicators of the "truth". The overwhelming consensus, worldwide, which should no longer need a supporting reference for validation, is that the environmental concerns that we are being confronted with are *measurable* and *quantifiable* factors. Where this becomes problematic, as explored earlier in the chapter, is when said measurable and quantifiable factors are identified to be measured optionally and via a qualitative basis. Al Gore's documentary, *An Inconvenient Truth* (2006), even via its title alone, really speaks to the heart of this concern. The "truth", in the instance of sustainable development as this may not be the same for other areas for which this concept is applied, *should* be located within what research and science can be quantifiably measured and tested for reliance. Where the truth becomes hazy then for policies concerning sustainable



development is when politicians and political parties deem its application *optional* or to be promoted via a particular *lens* or *ideological viewpoint*. The truth is then transformed into a perception-based fact, as businesses and members of society have to work harder to ascertain the original truth, if they are able to, look past their own biases or judgements on the matter.

This all sounds very subjective and almost too philosophical in nature; however, Elkington, and especially those within the business community, need to keep in mind that if they are to reach and convince members of society to embrace and integrate more environmentally sustainable measures into their lives, they need to be able to identify the way with which politics can enhance or obscure society's capacity to determine the truth verse its perception. Consider as well, why would politicians and businesses invest into Public Relations (PR) or marketing and advertising strategists, or image consultants, or even advisers in and of themselves, if this concept of perception was not in fact, a vital variable for influential success?

Similar to the 'People' and 'Planet' elements of the '3P' aphorism, the concept of 'Perception Politics' does not necessarily have a clear quantitative measurement with which to track it. The challenge then becomes to create a platform with which to measure this suggested variable. For example, can we track the progress of Perception Politics by comparing the actions of politicians and political parties versus what they, or their parties, allege to achieve? At the very least, this could act as a benchmark to determine to what degree a particular politician and political party act after their words or various discourses. Alternatively, could we track the progress of Perception Politics via political engagement on the part of society? If it is in fact the voters who shape, at least some, of the policies that politicians and policymakers endeavour towards, can we gauge public opinion to determine where the next policy move will come from? Such political engagement, can, arguably, be measured in quantitative and qualitative means, e.g. voting turnouts and online interactions (for instance on social media) concerning politics. The online journal, *The Conversation*, released an article trying to understand this very phenomenon. The article stated (2016):

We're quite accustomed to thinking that Australians are a deeply cynical, disillusioned bunch; that we are all switching off from politics; and that there is a deep rot setting into the fragile connections between our vital democratic institutions and the citizens they purport to represent. In order to find out how engaged (or disengaged) we are, we first need to tackle a tricky question: how would we tell?

Outside of an alleged "talk vs action" and engagement factor, what will ultimately allow, in particular businesses, to understand the powerful influence that perception has when utilised by the political sector? Perhaps in application, however, the parameters of this concept may become clearer.

## 2.5 Why Examine the Great Barrier Reef (GBR)

Environmentally, socially, politically and economically, for those businesses and members of society who have active interests in the Great Barrier Reef (GBR), the protection of this remarkable ecosystem is of enormous importance for all key groups involved. Some media outlets, in Australia and worldwide, almost daily, publish new and highly concerning articles detailing the latest scientific research regarding damage to the GBR, or the fears held by the scientific community on its survival into the future. Alongside a number of Australian news outlets, even *The Washington Post* (Mooney 2016) published a story with regards to the suggested death of certain parts of the reef. Considering the attention that this remarkable reef attracts, via tourism, businesses and even scientifically, its survival is dependent on what policies are enforced to not only protect what's left of the GBR, but to sustain its survival as long as possible into the future.

The GBR is located "...south from the northern tip of Queensland in north-eastern Australia to just north of Bundaberg." (GBRMPA 2016) According to the Australian Government's Department of the Environment and Energy (2016c), the GBR ".attracts more than 1.6 million visitors each year, contributes more than \$5 billion to the Australian economy, and generates about 63,000 jobs." (Australian Government—Department of the Environment and Energy 2016c) The GBR has also been labelled as one of the world's seven natural wonders for reasons including that it is ".the largest coral reef in the world.and.the only wonder of nature that may be.recognized from outer space." (Seven Natural Wonders 2014) Further, and quite remarkably, within the GBR can be found (GBRMPA 2016):

...600 types of soft and hard corals, more than 100 species of jellyfish, 3000 varieties of molluscs, 500 species of worms, 1625 types of fish, 133 varieties of sharks and rays, and more than 30 species of whales and dolphins. Within this vast expanse are a unique range of ecological communities, habitats and species—all of which make the Reef one of the most complex ecosystems in the world.

To Australia, the GBR is not just a natural wonder, but also an important symbol of the nation state's willingness to preserve its landscape's natural beauty. In 1981, the GBR was placed on the World Heritage List (Australian Government—Department of the Environment and Energy 2016b) and Australia's National Heritage List in 2007 (Australian Government—Department of the Environment and Energy 2016c). Specifically, however, the coral reefs "...only comprise about seven per cent of the Marine Park and the World Heritage Area." (GBRMPA 2016) Despite this, the Australian Government, irrespective of who is in power at the time, is expected, by its society and businesses, as well as those interested in the reef externally, to implement sustainable measures to protect the GBR. Whilst the GBR's World Heritage Listing has been threatened to be labelled as "in danger", in 2015 the World Heritage Committee came to the following conclusion (United Nations Educational, Scientific and Cultural Organization 2015):

Considering that the first set of targets of the [Reef 2050 Long-Term Sustainability Plan—2050 LTSP] are expected to be reached by 2020, it is recommended that the World Heritage Committee requests a report on the state of conservation of the property for review at its 44th session in 2020. The report should detail the results achieved for each target and link progress to the scientific findings of the anticipated 2019 GBR Outlook. It is essential that the 2050 LTSP delivers its anticipated results in order to confirm that the property does not face ascertained or potential danger to its [Outstanding Universal Value OUV].

In response to this recommendation, a joint media release by the then Hon. Greg Hunt, MP Federal Minister for the Environment (Liberal-National Coalition), the Hon. Jackie Trad (Australian Labor Party), MP Deputy Premier of Queensland and the Hon. Dr Steven Miles, MP Queensland Minister for the Environment, (Australian Labor Party), was announced, including the below statements (Hunt, G., Trad, J. and Miles, S. 2015):

Australia and Queensland strongly welcome the final and unanimous decision of the UNESCO World Heritage Committee to not place the Great Barrier Reef on its world heritage in-danger list. In fact, all references to 'in-danger' have been completely removed. The world's umpire has declared the Great Barrier Reef is not in danger.

Whilst it is tempting to analyse the above statements as misrepresenting *exactly* what this recommendation by UNESCO had said, what these MPs' technically argued was correct; the "in-danger" listing was removed, however, what the MPs' did not mention was that if adequate measures were not taken to ensure—as best as possible—the ongoing survival of the GBR, that this danger-listing could be officially instated. Further, the MPs' overwhelmingly positive portrayal of this recommendation, is in keeping, to an extent, with the nature of the original report by UNESCO, however, the report also emphasised the highly concerning evidence that it had also been presented with by the Australian government. It explained that:

The Great Barrier Reef Outlook Report 2014 (2014 GBR Outlook Report) and the Reef 2050 Long-Term Sustainability Plan (2050 LTSP) were submitted... The 2014 GBR Outlook Report concludes that climate change, poor water quality from land-based run off, impacts from coastal development and some remaining impacts of fishing are the major threats to the property's future health. The report further concludes that the overall outlook for the Great Barrier Reef is "poor, has worsened since 2009 and is expected to further deteriorate in the future" and that substantial reductions of pressures are required to prevent the projected declines and improve the property's capacity to recover from the effects of climate change.

The consequence of the aforementioned press release is that whilst it is somewhat in keeping with the tone and recommendation of UNESCO's report, the press release, on the part of those mentioned MPs, did not convey what the report had explored and suggested in completion. This, in and of itself, gives insight into the nature with which politics can be used to encourage a certain perception; to members of society, even businesses themselves, this press release demonstrates nothing but praise and trust in the Australian Government's handling of the GBR at the time. What the press release did not include was any mention to the scientifically backed concerns held by not only UNESCO, but also the Australian Government itself, given that it had also provided this Committee with some of the

very facts used to justify its listing recommendation for the GBR. Provided with some of the scientific findings, the overarching truth used to justify this listing and future planning for the GBR, members of society and businesses in this matter were not presented with the *whole* truth in order to really determine if adequate investments and responses were being undertaken to protect the GBR. Ultimately, whilst this listing may be seen as nothing more than a symbolic gesture, the removal of said gesture would be a monumental setback in Australia's capacity to demonstrate its willingness to protect its natural landscape, which, horrifyingly enough, has already come under an understandable amount of criticism to date. Furthermore, without the role of Australian Government here, a large amount of possible investment into protecting the GBR would disappear, and in order for the GBR to be fully protected under any sustainable development measures, businesses and society cannot ignore the vital impact that policymakers can have on this natural wonder, considering as well the acknowledgement that policymakers have had on the need to work alongside society and businesses to protect the GBR.

## **2.6 In Greater Detail: Policy Responses to the GBR—the Australian Liberal Party (Liberal-National Coalition, LNC)**

In addition to the above statements included from the provided press release, the following statements were also included (Hunt, G., Trad, J. and Miles, S. 2015):

- (1) [The GBR is] Australia's greatest natural icon and remains the world's Great Barrier Reef.
- (2) We have already begun implementing our Reef 2050 Plan. It is supported by an Independent Expert Panel, chaired by Australia's chief scientist, and a Reef Advisory Panel chaired by the Chairman of the Australian Institute of Marine Science—a former Governor of Queensland and Australian Ambassador for the Environment. Civil society will have an ongoing role on the Advisory Panel.
- (3) [The future protection of the Reef]... is backed by substantial financial resources with over \$2 billion dollars projected to be invested in managing and protecting the reef over the coming decade. The Investment Baseline released today illustrates the substantial investment coming from all tiers of government and the private and philanthropic sectors—with over \$485 million in 2014/15 alone.

Each of these statements suggest a particular position as held by the LNC with regards to the GBR. The first statement asserts that the GBR is seen as Australia's "greatest national icon", by the LNC at the very least, suggesting its vital inclusion within the nation state's public policy. To what extent the inclusion of the GBR into public policy measures are in fact successful, is a whole other matter in and of itself. The second statement emphasises that not only have public policy measures been

suggested, they have also since been implemented, and are also being overseen by an alleged external panel, suggesting the LNC's willingness to collaborate with other concerned parties. This second statement also acknowledges the desire for civil society to contribute to this "Advisory Panel", however, no further details are provided on how this would be the case. The final statement, includes a mention to the "private" (business) as well as "philanthropic" sector (arguably a group representing the combined interests of business and society), investing into ongoing protection of the GBR; however, no further mention of any other kind of collaboration with these sectors is included. On the one hand, this statement alleges a kind of collaboration with businesses and society in the journey towards protecting the GBR, however, on the other hand, the specifics of this collaboration have not been thoroughly detailed and require additional investigation to determine if said *teamwork* has actually been successfully implemented.

Whilst the Australian Labor Party and The Greens party, the two other key political parties in Australia, have, on their websites, specifically designated links to their proposed policies to protect the GBR, considering that the Liberal Party of Australia currently comprise the federal government, and are currently overseeing their own specific policy to protect the GBR, it was assessed that their achievements, or lack thereof on this front, be assessed within the scope of this chapter. When looking at the policy responses/promises to protect the GBR on the part of the Liberal Party of Australia, also known as the Liberal-National Coalition (LNC), two key questions were considered:

- (1) Based on the party's website, what policy responses/promises have been put forth and/or already implemented to address issues concerning the longevity of the GBR? Even if in rhetoric alone, do these policy responses/promises have the potential for impact upon the GBR in terms of its sustainable development?
- (2) Based on the party's website, what policy responses/promises have been put forth and/or already implemented which directly note a desire for direct collaboration with businesses and society to address issues concerning the sustainable development of the GBR?

The website for the Liberal Party of Australia, contains a specified, dedicated link under the tab "Our Plan", phrased simply as: "Environment" (Liberal Party of Australia 2016a). Clicking on this link leads to a web page detailing a number of key points proposed to protect the environment in general on a variety of fronts, including environmental projects to climate change. The first point on the list, however, is 'Protecting the Great Barrier Reef'. The GBR's first position on this list may infer something about its priority as a policy concern, however, this is too subjective a point to make without further evidence. Problematically, however, there is not, as of the date the website was viewed,<sup>5</sup> however, a link on this page that explores in specific, minute detail the outlined 'Reef 2050 Long Term Sustainability Plan'. Ideally, businesses and members of society should not need to

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<sup>5</sup>16 September 2016. See also final reference list for this source.

actively search for the specific details of policies external to the LNC's party website. What is provided on the website, however, under the title of 'Protecting the Great Barrier Reef' (Liberal Party of Australia 2016b), the Liberal Party allege that the ".Reef 2050 Long Term Sustainability Plan is the most comprehensive plan ever developed to protect the Great Barrier Reef for future generations." To what extent this is actually the case would be difficult to determine if one wasn't an expert in the measures needed to protect the GBR to begin with. Financially speaking, the Liberal Party have projected \$2 billion of investment funds, including a "\$1 billion Reef Fund focussed on the two biggest threats facing the Great Barrier Reef: climate change and improving water quality." (Liberal Party of Australia 2016b) In addition, the Reef Fund is again referred to, with an explanation that it ".will mobilise up to \$1 billion in investment finance over 10 years for clean energy projects that help tackle these two key threats." (Liberal Party of Australia 2016b) What is curious about this second statement is that it is not clear if this mention to \$1 billion here is in addition to the first mention, or an extended explanation on the first. Given that both statements refer to tackling climate change and water quality, it's difficult to determine how much money is actually being discussed here. Further, the Reef Fund receives a third mention, emphasising that it ".builds on the \$210 million Reef Trust." (Liberal Party of Australia 2016b) what is even more unclear here is whether or not this \$210 million was originally included in the initially alleged \$2 billion, or whether this is in addition to the alleged \$2 billion of investment. This lack of clarity is concerning because, even put simply, the funds are not quite matching up. If more than \$2 billion of investment was being put into the GBR, surely the tag line for the LNC would be "more than \$2 billion" rather than simply "\$2 billion is being invested." (Liberal Party of Australia 2016b) Ultimately, governments thrive on bragging about their intended investment amounts and even if the investment into the GBR was only slightly above the alleged \$2 billion, it would be expected that the LNC, or any other political party for that matter, would make that fact known. What can only comfortably be accounted for here then is a little over \$1.2 billion of investment into the GBR on the part of the LNC, according to what has been presented on this particular website.

An additional search did yield a document, however, that provided more specific details on *The Reef 2050 Long-Term Sustainability Plan* In its Foreword, it emphasises that the Plan "...is based on science and the lessons learnt from managing the Reef over the past four decades." (Australian Government/Queensland Government 2015, iii). In saying this, the expectation of this Plan, therefore, will be for the overwhelming scientific consensus to support its findings, depending of course *who's* science is being utilised and under what methodological and testing conditions. This chapter cannot attest to the appropriateness of the experts needed to support this claim, but rather, suggests that those relevant experts in the field support or attest to the appropriateness of this statement. In addition, also in the Foreword, and in keeping with previous statements made by the aforementioned press release on the GBR's World Heritage listing, is the following assertion that (Australian Government/Queensland Government 2015, iv):

In developing the Plan, we acknowledge the significant contributions of Traditional Owners, environmental groups, community organisations, peak industry groups, scientists and other interested people who committed time and effort as members of the Partnership Group and during stakeholder consultation.

Lastly, and as also situated Foreword, are a number of given financial figures, that are, allegedly, to give insight into how the \$2 billion will be comprised. It includes the following figures (Australian Government/Queensland Government 2015, iii):

...\$200 million over five years.the new \$40 million Reef Trust.In addition to maintaining its \$35 million a year expenditure.the Queensland Government has committed an additional \$100 million over five years.Government investment in the Reef over the next 10 years is projected to be more than \$2 billion.

The figures above equate to a total of \$375 million, with the final statement alleging that this figure will amount to \$2 billion over ten years. Whilst this figure may very well be reached, less than 20 percent has been accounted for out of this alleged \$2 billion figure. Further, the mention to the Reef Trust is not in keeping with the 210 million provided earlier in accordance with the Liberal Party's website. Upon reviewing the remainder of the report, there is no designated section for which a clear and precise breakdown of even just an estimate of where and how this alleged \$2 billion will come from. Further, whilst financial figures are scattered throughout the report, it is difficult to determine what exactly has been invested and what investments remain pending. Throughout the document can be found multiple tables that explain, in great detail, specific plans for protecting the GBR from "Incorporating] and prioritising] Traditional Owners' planning into existing and future ecosystem policy and programs." figures (Australian Government/Queensland Government 2015, 37) to specific measures to improve sustainability, such as by "Supporting] the uptake of sustainable practices by Reef-dependent and Reef-associated industries to limit impacts on the Reef's Outstanding Universal Value." (Australian Government/Queensland Government 2015, 47) Whilst these goals within this Plan may very well be the most comprehensive of the time, the Plan's overall financial projections are not readily feasible upon initial assessment. This chapter does not wish to purport any kind of misconception or wrongdoing on the part of the Liberal Party, but rather, suggest that this report be reassessed in terms of the financial figures it claims to project with regards to the GBR. If the Australian Government expects business and society to collaborate with its endeavour in protecting the GBR, then the figures it provides to these sectors, at the very least, need to be accessible and not so easily contested.

Referring back to Elkington and his TBL framework, he is correct in his assertion that there are problems in working with politicians, or those linked to the politics sector, when it comes to implementing greater strategies to ensure sustainable development into the future. The brief assessment of the Liberal Party's Plan to protect the GBR demonstrates this, considering that if the financial figures can be so easily contested, can the goals themselves be any more relied upon? The Liberal Party's conveyed perception of this plan, and their willingness to protect

and preserve the GBR, seems readily achievable and well thought-out; their Plan, on the other hand does not clearly support this same enthusiasm, presenting us with an interesting, yet highly consequential, instance of Perception Politics at play, one that society, business and, importantly, the natural environment, won't be able to afford to ignore. Until the Australian Government reports back to UNESCO in 2017, further information on the development and success of the Plan may not be known until then. Despite these issues, however, what needs to be emphasised is a greater collaboration between all of these sectors, even if business needs to lead the way in jump-starting a more viable, working-relationship, noting that Perception Politics will always be at play, and there will always be a number of real and *perceived* hurdles for society, business and the natural environment to navigate through.

## 2.7 Conclusion

Whilst in the mid-1990s Elkington acknowledged that a significant number of countries were far away from demonstrating any clear dedication to the need for sustainable development (1994, 91), sadly, 10 years on, this is still arguably the case considering a general global malaise towards climate change, economic stability and forethought for future generations. In saying this, it would be a premature presumption to simply state that the TBL or, endeavours towards a balanced '3P' framework, are too idealistic in their efforts. This is a common misconception of the current state of world affairs with which idealism automatically equates to the carrot that the donkey will never reach. This is not to suggest though that the idealism with which the TBL advocate should not be critically analysed, but rather, analysed in terms of what it can currently offer, and where it could be improved to better facilitate the developing needs and concerns of sustainable development. Whilst this chapter has supported the inclusion of society, business and politics into the decision-making process for sustainable development, it also acknowledges the roles that other organisations, such as the United Nations and its various committees, have also had on the journey towards sustainable development, with particular emphasis on the Brundtland Report (1987). Whilst organisations like the United Nations may also warrant a place in the TBL framework, none are more deserving than the role of politics considering the power that it undeniably has over the world's journey towards sustainable development.

What the example of the GBR demonstrates is that whilst political parties and policymakers may acknowledge the role that business and society play in the protection of the natural environment, their execution of said policies do not necessarily enforce the degree of confidence on the part of other sectors that, in an ideal world, would go without saying. On the other hand, the business and society sectors need to ensure that they are also taking responsibility for their engagement with not only the GBR, but also the policies and policymakers responsible for its protection at the time. Given the electoral cycle in Australia, and potential changes between



political parties (and their leaders) this could be a difficult endeavour; however, there currently remains no alternate option. The Australian Government is largely responsible for the amount of funding awarded to the protection of the GBR, even if its figures do not quite add up, and this natural environment cannot afford a lack of proper protection and planning for its sustainable development.

Regardless of whether one is a fan or critic of the TBL, never has the journey towards sustainable development been more important, because never has the impact of politics and policy on this journey been so treacherous. Consider, therefore, the following: 'People', 'Planet', 'Profits', 'Perception Politics', the Five P's and the Quintuple Bottom Line (QBL); it has a similar ring to its former, with the added acknowledgement of politics and the power of perception.

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# Chapter 3

## CSR Management Strategies, Stakeholder Engagement and MNE Subsidiaries Efforts to Foster Sustainable Development

Abdul Moyeen

**Abstract** This paper investigates the corporate social responsibility (CSR) management strategies in multinational enterprises' (MNEs) subsidiaries. Despite the various efforts of MNEs in the area of CSR, very little is known about the CSR management strategies that MNE subsidiaries adopt, particularly in the context of developing countries, and how such strategies either constrain or facilitate the realization of the wider global commitment towards sustainable development. In addressing these questions, the paper considers stakeholder theory and institutional theory to establish factors that influence CSR management strategies; in particular, the formulation and implementation of CSR programmes in the host country subsidiaries. Semi-structured interviews with senior managers responsible for CSR in eight MNEs operating in Bangladesh reveal that institutional pressure is the most important influence for MNE subsidiaries in their design of CSR programmes and that MNE subsidiaries in the host countries suffer from 'institutional duality' when designing and implementing their CSR programmes. While most of the CSR programmes are designed and managed directly by the parent company, they often resemble the more legitimate and successful CSR programmes of local enterprises (emulative isomorphism). Interestingly, the CSR formulation process very rarely engages external local stakeholders and when they do, stakeholders' roles are principally limited to programme implementation. Although a handful of MNE subsidiaries, originating from the same home country, were found to collaborate with each other in their CSR initiatives, no such partnership between MNE subsidiaries and local enterprises was evident. In order to ensure that MNEs' CSR programmes have a sustainable impact, the paper urges MNEs to revisit their current CSR management approach, and adopt broader strategies incorporating engagement of local stakeholders, building partnerships with local enterprises, and the capacity building of local subsidiaries.

**Keywords** Corporate social responsibility (CSR) • CSR management • Multinational enterprises • Sustainable development • Bangladesh

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### 3.1 Introduction and Background

Corporate Social Responsibility (CSR) is drawing growing academic interest in research focusing on multinational enterprises (MNEs) (Rodriguez et al. 2006). MNEs are increasingly expected to play a leadership role in improving socio-economic and environmental conditions<sup>1</sup> in developing countries through their engagement in CSR initiatives (Robinson 2003; Torres-Baumgarten and Yucetepe 2009), and hence contributing to sustainable development, given their global influence, activities and presence (Kolk and Tulder 2010). Recognizing the role of CSR in addressing social, economic and environmental problems, CSR is now viewed as a vehicle for sustainable development. As MNEs are now becoming increasingly active in developing countries, they have greater scope than before to address global economic, social and environmental challenges through designing and implementing effective CSR programmes. Accordingly, a large number of MNEs have initiated, supported and implemented various CSR programmes in developing countries; extended their support to global initiatives; and built partnerships with established multilateral and bilateral development agencies in tackling issues including poverty, governance and human rights. Despite such efforts, global aspirations for sustainable development remain far from being met in many developing countries (Visser 2008). Due to the nature of the CSR initiatives, MNEs are engaged in and the purpose and process for their engagement, concerns have been raised about the effectiveness of MNEs' current CSR strategies in promoting the socio-economic and environmental conditions in developing countries (Engle 2007; Fryans 2005; Karnani 2007).

Despite the importance of such issues, very little is known about how MNE subsidiaries adopt CSR management strategies in developing countries and how effective their CSR management strategies are in meeting the global goals of sustainable development. This paper contributes to filling this gap by exploring CSR management strategies in MNEs; in particular, the formulation and implementation of CSR programmes in selected leading MNEs in Bangladesh—one of the fastest growing economies in south Asia, but characterized by large-scale poverty and poor human rights conditions and also particularly vulnerable to the effects of climate change (Harmeling 2010; The World Bank 2012). Thus, the research question for this paper is: how do MNE subsidiaries formulate and implement CSR programmes in developing countries and how do such CSR management strategies either constrain or facilitate the realization of the wider commitment towards sustainable development?

The findings of this research will help broaden the extant CSR literature, which is currently dominated by developed country research. As CSR is increasingly becoming important to MNEs (Thorne McAlister et al. 2005), knowledge of their CSR management strategies is vital for understanding the difficulties MNE

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subsidiaries encounter in aligning their CSR approach to address local socio-economic and environmental issues. This knowledge is also important for MNEs, especially those operating in developing countries, to adopt CSR management strategies, particularly in designing and implementing such CSR programmes that are capable of making sustainable impact. Valuable insights for how local enterprises can effectively engage in CSR—a key to advancing the CSR movement globally—may also be generated.

Although there is now an extensive CSR literature, a conclusive definition of the concept of CSR is yet to emerge. Yang and Rivers (2009, p.156) described this position with the following comment, “*CSR means something, but not always the same thing, to everybody*”. Carroll (1979, 1991) conception of CSR has perhaps been the most frequently cited and describes CSR in terms of a hierarchy commencing with economic responsibilities followed by legal, ethical and philanthropic responsibilities. Recent definitions of CSR have been influenced by stakeholder theory (Freeman 1984) which suggests that companies have a responsibility to try to satisfy the expectations of a varied group of stakeholders, and that it is worthwhile for them to do so. From CSR viewpoints, stakeholders of a firm are conceptualized as individuals or groups which are either affected by or benefit from the firm, or whose rights can be violated, or have to be respected by the firm (Crane and Matten 2004).

An increasing emphasis on the inclusion of environmental responsibility as an integral component of businesses’ broader social responsibilities has also emerged in recent years. The European Commission (2011, p. 6), for example, states that “to fully meet their corporate social responsibility, enterprises should have in place a process to integrate social, environmental, ethical, human rights and consumer concerns into their business operations and core strategy in close collaboration with their stakeholders”. Empirical research that considers environmental dimensions as part of a business’s social responsibility is on the rise (e.g. Cacioppe et al. 2008; Welford et al. 2005). Under this broader view, incorporating economic, social and environmental responsibilities, CSR is integral to sustainable development and it is this notion of CSR that is adopted in this study.

The next section reviews the relevant theories and prior research within the specific context of MNEs, followed by the section outlines the method adopted, while the penultimate section presents and discusses the detailed findings of the study. Summarizing comments, theoretical contributions and the major implications are provided in the concluding section, along with suggestions for further research.

### 3.2 MNEs CSR Management Strategies

While literature on MNEs and CSR is still embryonic, the last decade has seen some progress in both theoretical and empirical fields of inquiry. However, given the increased expectations by various stakeholder groups and the commitment that MNEs have attached to both CSR and sustainable development, it is quite

surprising that literature focusing on CSR management and sustainable development is scant. Due to the dearth of prior research in this area, the literature review is largely based on CSR literature in general and MNEs in particular. In particular, institutional theory and stakeholder theory were reviewed to identify factors that shape the CSR management strategies in MNEs, especially the formulation and implementation of CSR programmes and the engagement of stakeholders in host country subsidiaries. Drawing from the previous literature, particularly the study of Hah and Freeman (2014) and Yang and Rivers (2009), this paper has developed its theoretical framework and research questions.

Freeman (1984) argued that managers must address the needs of stakeholders who could influence the business's performance. A large number of internal and external stakeholders have an interest in, and influence on, a firm's activity. Accordingly, issues like stakeholder management, stakeholder dialogue and stakeholder engagements are becoming important in CSR management (Knox et al. 2005). Stakeholders are perceived to be the leading forces in MNEs' CSR due to the stakeholders' legitimacy, power and urgency (Yang and Rivers 2009). The powerful stakeholder groups that have considerable influence on CSR practices include government institutions, the community in which the business operates, non-government organizations (NGOs), industry bodies, consumers, shareholders, employees and the parent firms (Yang and Rivers 2009). Stakeholder theory suggests that a stakeholder can influence a company's CSR focus and attitude by adopting (i) a withholding strategy, that is, by inhibiting the movement of resources to the firm; and (ii) a usage strategy, that is, by restricting the way in which the firm can consume the resources (Frooman 1999). Thus, stakeholders may influence and shape a company's CSR by controlling the resource flow directly and by taking action against a selected firm indirectly. CSR literature has argued that MNEs need to be more sensitive and responsive to the expectations of numerous stakeholders who are directly or indirectly affected by MNEs' operations in host countries (Reimann et al. 2012; Sacconi 2011).

Literature in sustainable development suggests that the varied and dynamic nature of socio-economic and environmental challenges demands flexible and transparent decision-making that is based on an assortment of knowledge and values. This highlights the importance of systematically engaging the relevant stakeholders in the whole process of CSR design (Reed 2008; Stringer et al. 2007). Meaningful engagement of local stakeholders is an effective means for developing a comprehensive understanding of the local issues as well as potential avenues to address the local problems (Reed 2008)—hence the quality and durability of decision (Reed et al. 2008, Fischer 2000). Despite the importance of stakeholder engagement, Knox et al. (2005) found that only some larger companies consider identifying and prioritizing stakeholders in their CSR programmes, and that too often are limited to the 'customers' stakeholder group. Although many companies seemed reluctant to build stakeholder relationships, Knox et al. (2005) argued that stronger stakeholder relationships with multiple stakeholder groups and the sophistication in managing such relationship may affect the social and business impact of CSR.

A number of research used institutional theory and related concepts of institutional isomorphism (DiMaggio and Powell 1983) to study CSR activities in MNEs (Hah and Freeman 2014; Kostova et al. 2008; Salomon and Wu 2012; Tan and Wang 2011; Yang and Rivers 2009). Institutional theorists argue that the institutional environment is more powerful, and often deeper than market parameters, in influencing the development of formal structures in an organization (DiMaggio and Powell 1983). In the context of CSR, institutional isomorphism suggests that a firm adopts CSR strategies within the whole organizational strategy of the firm, following the various isomorphic pressures (Husted and Allen 2006). These pressures are categorized as normative, coercive, mimetic, emulative and competitive.

While explaining the condition of MNEs, Hah and Freeman (2014) suggest that isomorphic pressures exerted from the host country society inspire MNEs to adapt or shape their business practices to be standardized with any specific society's views and value systems (i.e. coercive isomorphism) with a view to gain and sustain external legitimacy (DiMaggio and Powell 1983; Tan and Wang 2011). In addition, a firm may incline to frame itself or its strategies by following other companies that seem to be more legitimate or successful in the host country (i.e. mimetic/emulative isomorphism) (DiMaggio and Powell 1983; Husted and Allen 2006). Although, pressure for local isomorphism in host countries is perceived to be unusual (Kostova et al. 2008), foreign firms often mimic strategies and practices of legitimate and successful local firms (emulative isomorphism) with a view to avoid the image of 'foreignness' (Salomon and Wu 2012). According to Salomon and Wu (2012), the degree of local isomorphism increases with the increase in cultural, economic and regulatory gaps between the home and the host country.

Husted and Allan (2006) argued that MNE subsidiaries should be concerned about the pressure on them for becoming socially responsible to various host country communities. This is, however, considered as a key challenge for MNEs to satisfy the various groups of stakeholders in the host country, when they also encounter pressure to comply with the parent company conditions in order to gain and maintain internal legitimacy (Yang and Rivers 2009). The opposing expectations or demands between the stakeholders of a home country and a host country form a set of complex forces that affect the CSR focus of a subsidiary. Yang and Rivers (2009) termed this condition as 'institutional duality' and they suggest that 'institutional duality' is very pronounced in subsidiaries operating in emerging countries. They further argued that in order to gain legitimacy in the host country, MNE subsidiaries often need to adapt to local CSR practices (mimetic isomorphic).

Husted and Allen (2006), observed that as opposed to strategic logic—that is, responding to pressures from salient stakeholders—institutional pressures exert more influence on how MNEs make their CSR decisions. In other words, MNEs tend to follow their prevailing product-market organizational strategies (such as multi-domestic, transnational and global) when making their CSR decisions. Husted and Allen (2006) classified MNEs' CSR practices in two categories and observed that MNEs, irrespective of their type, place similar emphasis on global CSR issues (like environmental conservation). However, multi-domestic and transnational companies tend to place greater importance on local (country-specific)

CSR issues than global MNEs do. In examining the relationship between subsidiaries and headquarters in the management of CSR, Morand and Rayman-Bacchus (2006) found that while implementation is carried out by the subsidiary to some extent, the CSR policy is originated and endorsed solely by the headquarters, primarily as a response to the financial and legal pressure felt to accompany the extensive attention to CSR.

While the role of businesses, particularly MNEs, in addressing economic, social and environmental problems through CSR initiatives is now well recognized, the global aspirations for sustainable development remain far from being met. It is now well recognized that effective CSR management, particularly the effective design of CSR programmes and their implementation is crucial for MNEs to contribute to the improvement of economic, social and environmental conditions in a sustainable fashion. Nevertheless, it is quite surprising that literature focusing on CSR management is scant. This paper contributes to filling this gap by exploring the CSR management strategies in MNEs; in particular, how MNEs formulate and implement the CSR programmes in selected leading MNEs in Bangladesh.

### 3.3 Research Method

Reflecting the exploratory nature of this study, the data were collected using semi-structured interviews with 16 senior level managers of eight leading MNEs operating in Bangladesh. The importance of such 'engagement-based' interviews with key people in exploring reliable data on CSR engagement has been highlighted in the literature (Belal and Owen 2007).

The companies were selected from the pharmaceutical, mobile communication, chemical, tobacco, food and fast-moving consumer goods (FMCG) industries. They were selected because these industries have close ties with communities and are also often blamed for damaging communities and the environment. For example, the tobacco industry uses vast areas of land to grow tobacco leaf. The other reasons for choosing the sample companies were that they are already engaged in various forms of CSR initiatives and are perceived to be playing a leading role in the field of CSR in Bangladesh (Belal and Owen 2007).

A semi-structured questionnaire was used for data collection, and after the interview a number of businesses were contacted and asked to elaborate on some of the earlier responses. The interview included questions broadly in the areas of MNEs' understanding of CSR, their practices, reasons for engaging in CSR, reporting and performance of CSR, the formulation and implementation of CSR and involvement of stakeholders, in addition to the company's demographic information. The interviews were conducted with managers who were responsible for the CSR programmes, which included CEOs, public relations managers and



communication managers. Belal and Cooper (2011) note that the selection of a diverse group of interviewees across a range of industry sectors offers a rich perspective on CSR practices in different sectors. The interviews lasted from 50 to 80 min. Following the interviews, a number of six websites of large local businesses were reviewed to identify the similarities or differences between the CSR programmes of MNEs and local enterprises.

## 3.4 Findings and Discussion

### 3.4.1 *Propensity to Adopt Successful Local CSR Programmes*

Similar to the findings of many previous studies in developing countries, the commonly observed CSR programmes that the various sample MNEs in this study had adopted were philanthropic charitable work such as corporate donations, supporting the distressed and victims of floods and cyclone and contributing to the Prime Minister's relief fund (Jamali and Mirshak 2007; Kühn et al. 2015). In this regard, MNEs were inclined to adopt 'me too' types of CSR programmes that were already initiated and practiced by many local enterprises (mimetic isomorphism) and in some cases, these CSR programmes were perceived to have considerable impact to the economy and society (emulative isomorphism). Very rarely, innovation and creativity in designing CSR programme was demonstrated. While elaborating the reasons for such predominance of philanthropy-based CSR programmes, 86% (N = 12) of the respondents implied that since these programmes are already in use by other enterprises, they are easy to develop and manage, do not involve much of MNEs' time and resources, and their impact is readily visible. Although, authors previously argued that pressures for local isomorphism in host countries are rare (Kostova et al. 2008), the findings of this study demonstrate that MNE subsidiaries very frequently mimic strategies and practices of more legitimate and successful local firms (emulative isomorphism) (Salomon and Wu 2012).

Further probing suggests that the visibility of CSR programmes and their impacts attracts media's attention which helps MNEs to send the message about their CSR programmes and their impact out to the wider public. This communication may be considered crucial by MNEs to facilitate the gaining of legitimacy in the host country widely and quickly. Although none of the respondents indicated that they have such an explicit motive, all of the MNEs were found to frequently use their CSR programmes in their advertisements and publicity documents. MNEs' emphasis in communicating their CSR for public relation purpose was further demonstrated by the fact that three of the eight MNEs assigned responsibility for their CSR programmes to the communication and public relations departments.

### **3.5 Limited Participation and Capacity Building of Local Subsidiaries**

Given the expectation that MNEs may contribute to sustainable development through their CSR programmes, it is important that local MNE subsidiary acquires appropriate capacity necessary for identification of local sustainability issues, effective assessment of the issues and selection and design of CSR programmes. Despite the importance of such capacity building, a large number of the programmes studied were either initiated or managed directly by the parent company as part of their commitment to some global initiatives. For example, one company extended its support to the child disease project of an international agency which functions in 80 countries in the world. The Bangladesh subsidiary donates cash grants and tablets for its implementation in Bangladesh. Another project of the same company was managed directly from its head office—the participation of local employees was hardly evident in the management of these projects.

The lack of participation of local subsidiary employees in formulating and sometimes implementing CSR programmes was also raised by another CEO who reported that 60% of its CSR programmes were developed in the head office of its parent company. This finding is similar to what other studies also reported: that CSR in MNE subsidiaries is driven by their overseas headquarters (Belal and Owen 2007; Lu and Castka 2009). As argued in previous studies (Hillman and Wan 2005; Hine and Preuss 2009), the prevalence of institutional pressures on the subsidiaries to conform to the parent company's strategy in order to gain and maintain internal legitimacy is also demonstrated in the current research. Such a top-down approach to CSR programme design certainly limits the ability and opportunities of local subsidiaries to build their own capacity necessary to identify local sustainability issues and design CSR programmes capable of addressing those issues.

### **3.6 Limited Partnership with Local Enterprises**

Although a handful of MNE subsidiaries, originating from the same home country, were found to collaborate with each other in their CSR initiatives, no such partnerships between MNE subsidiaries and local private sectors were evident. Since MNEs are perceived to be the pioneers in the CSR movement globally and have built their CSR capacity from both local and global sources over the years, it was expected that MNEs would build partnerships with local businesses in host countries and lead by example. Building such partnerships with other institutions such as development and civic organizations is crucial as these institutions have the knowledge of the needs of the various stakeholder groups and they may assist in developing strategies to address such needs, particularly when CSR programmes target wider social needs such as poverty alleviation and environmental improvement. Such partnerships would also help build the capacity of local businesses

through sharing knowledge and motivating them to engage more in CSR initiatives—local engagement is the key to taking the CSR movement forward and to attaining the goal of sustainable development.

### 3.7 Inadequate Engagement of Stakeholders

Regardless of where the programmes are designed, almost all of the MNEs were found to very rarely ‘engage’ the stakeholders in a meaningful way. In general, there was hardly any evidence of building relationship with a large variety of stakeholders. Although all the MNEs in this study worked in partnership with NGOs, their role was limited to programme implementation only. Naeem and Welford (2009) argue that in Bangladesh NGOs often demonstrated better knowledge of CSR than the private sector. However, NGOs are not meaningfully engaged by any subsidiary. This finding is similar to what Knox et al. (2005) found in their study of leading FTSE companies in UK.

One company indicated the involvement of a group of stakeholders including civil society in programme development, but their role was more ‘consultative’ than engaging. This nature of stakeholder participation matches with what Reed (2008) termed as ‘participation as a process’, rather than ‘participation underpinned by a philosophy’ which emphasizes empowerment, equity, trust and learning. It also echoes with the study of Belal and Owen (2007) that suggests that the claim of economically weak stakeholders is hardly integrated in CSR related decision-making. This demonstrates that managers’ hold a ‘narrow view’ of the firm and that they choose to engage only core stakeholders (such as employees and customers) who are directly involved in the central transformation systems of the business as opposed to local communities and social pressure groups (Pedersen 2011).

### 3.8 Conclusion

The aim of this study was to capture some of the strategies that MNE subsidiaries adopt in the management of their CSR programmes. In particular, the study made an attempt to explore how the subsidiaries formulate and implement their CSR programmes and how such management strategies either constrain or facilitate the realization of the wider global goals of sustainable development.

This paper contributes to CSR and international business literature by presenting data on CSR management strategies of MNE subsidiaries in the context of a developing country. The paper began with a review of literature to inform the readers as to the uniqueness of MNE subsidiaries with regard to their CSR management approach. The paper then presented CSR theoretical perspectives that were used to guide empirical inquiry on the issue in the context of Bangladesh. The

findings of the study are largely consistent with the literature (Husted and Allan 2006; Yang and Rivers 2009), and suggest that institutional pressure is the most important influence for MNEs subsidiaries in designing and implementing their CSR programmes. Most of the CSR programmes are initiated and managed directly by the parent company and they often resemble the more legitimate and successful local CSR programmes (emulative isomorphism). Contrary to the knowledge that pressure for local isomorphism is rare in MNE subsidiaries (Kostova et al. 2008), the findings support the argument that foreign firms often mimic strategies and practices of more legitimate and successful local firms (Salomon and Wu 2012).

Interestingly, stakeholder concerns/engagement seemed to have little consideration in CSR programme design. The major stakeholder group engaged in the whole CSR management process is the NGOs whose role is limited largely to programme implementation. This raises the question about the effectiveness of MNEs' current approach to CSR management—which is often top-down (i.e. flows from parent company to host country subsidiary) and without the engagement of local subsidiary and local stakeholders—to realize the wider goals of sustainable development. In order to make a sustainable impact of MNEs CSR programmes, broader strategies incorporating engagement of various groups of local stakeholders—who have the knowledge of local socio-economic and environmental issues and the ways to address them—building partnership with local enterprises, and capacity building of MNE subsidiaries in designing and implementing CSR programmes that could considerably contribute to sustainable development, are crucial.

While this paper has provided valuable insights into MNE subsidiaries' CSR management strategies from a developing country perspective, this exploratory research is not without limitations. The examination of a small number of MNEs in one developing country may imply that the findings are not generalizable even though they are likely to have wide-ranging applications. Further studies of MNEs in other developing countries are encouraged so as to provide more evidence of the CSR management strategies and their contribution to sustainable development that this article has identified.

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# Chapter 4

## CSR, Stakeholders and Complexity: Seeking Certainty in Decision-Making

Dianne Bolton

**Abstract** CSR is by its very nature evolving, contextual and pragmatic, stakeholder representation being a key feature of its integrative nature. Although it has been suggested that there is a common body of stakeholders accepted as intrinsic to processes of accountability and transparency, it is suggested here that an emerging stakeholder is worth consideration. This stakeholder is the producer, perpetrator and manager of big data. This stakeholder is worthy of attention in that in a volatile, uncertain, complex and ambiguous environment big data can play a significant role in legitimating top-down and arbitrary power through control of knowledge creation and the dominant discourse whilst decreasing the transparency required in multi-stakeholder agendas as the basis of trust. A major reason cited for this tendency is recent commentary and critique concerning how big data replaces the ‘why’ in its analytical approach with the ‘how’ and the ‘what’. The tension highlighted in the use of this data in strategic planning is considered through the lenses of power, control, particularism, universalism and performativity. Examples are drawn from sustainability literature concerning resource depletion, environmental sustainability and sustainable organisational culture to illustrate the critical issues that can be affected by such an approach in the broader context of CSR and sustainability strategy. The intention is not to ignore the potential of big data to aid stakeholder insights into innovative approaches and solutions. Rather, it is to ensure that the ‘why’ is transparent to demonstrate the contextual relevance of patterning and findings represented as the ‘how’ and the ‘what’ of data. This might help ensure that the use of big data does not aid contemporary and inappropriate forms of particularism within and between organisations and institutions, thus stifling broad stakeholder contributions to the identification and solution generation of challenges affecting their stakes in context.

**Keywords** Stakeholder · Complexity · Corporate social responsibility · Technology · Performativity · Power

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## 4.1 CSR and Increasing Awareness of Stakeholder Heterogeneity

It is commonly accepted that there are as many definitions of Corporate Social Responsibility (CSR) as there are people doing the defining (Crowther and Seifi 2016). Benn and Bolton (2011, p. 56) suggested that the term "... has been appraised as one that is evolving, contextual, pragmatic, multi-faceted, integrative and singularly focussed; in some cases all or combinations of these features have existed in tension". Despite tension about definitions, CSR is perceived as a core business issue (Montiel 2008). A key feature of CSR is its conceptualisation of broad-based stakeholder interests and impact on business goals and functions.

The search for tight conceptual frameworks around nascent CSR strategies in dynamic environments risks underestimating the increasingly variable environment that requires a more informed appreciation of; sustainable resource usage, the opportunities and challenges of technology, the alignment between political, economic and social agendas in the shaping of business models, and specifically the impact of local and regional context on strategic and operational CSR choices. More informed perspectives on the characteristics of CSR have recognised the dynamic, interdependencies, values, agendas and skill sets required to deal with rapid change challenges as perceived by stakeholders in context. In contributing to discussion of CSR and stake-holding in the specific context of social entrepreneurship, Oberoi (2016) extends Steyaert and Hjorth's (2006) perspective on the importance of acknowledging local images of phenomena and the heterogeneity embedded in different ways of making sense of phenomena at a local level.

If there is no one model of a dominant discourse in place, the task then is to precisely describe and narrate contextualised concepts for this interaction-in-the-making ... through which [the phenomena] gets socially determined. Heterogeneity in terms of descriptions and variations of context would therefore be a qualitative criterion of any attempt to bring studies of social entrepreneurship [and in this case of CSR] together (Oberoi 2016, p. 219).

By implication, CSR traverses ideological, political and regional boundaries and thus assumes a meaning requiring deconstruction. This understanding is critical to the focus here on the potential to obfuscate key elements of meaning in deconstruction through the use of new technologies and new data as an antidote to complexity, i.e. a focus on trends and patterns describing the 'how' and 'what' of activity as a replacement for understanding 'why' in context.

Crowther and Seifi (2016) discuss the scale of stakeholder representation as a feature of CSR literature, acknowledging that there is a common body of stakeholders accepted as intrinsic to processes of accountability and transparency that are widely accepted across organisations. It is suggested that this generic understanding should not ignore the impact of emergent stakeholders particularly those with potential to capture or redirect the interests of other stakeholders, as is the case of technocrats producing or applying big data products and services that lack adequate



transparency. In complex environments, transparency is often seen as essential to forging short-term trust amongst stakeholders. A strategic and integrated CSR agenda by implication involves transparent processes to steward and align economic, social and environmental resources in line with organisational growth aspirations, risk mitigation strategies, long term viability and community expectations.

It is recognised that conceptualising CSR and understanding the purpose of action is complex given the political, sociological and economic diversity of historical legacies and contemporary and emergent regional or local conditions that shape normative understanding of the concept. There appears to have been, for example, a particular focus on the breadth and complexity of stakeholder relations associated with supply chains and other phenomena concerning global operations. Such an area of inquiry is nascent and is concerned with organisational interactions between internal and external stakeholders in the process of sense-making of strategic direction in emergent environments, each player managing their stakes dynamically. It is assumed here that an increasing awareness and theorising of multi-stakeholder engagement is a key indicator of the maturation of CSR and as such emergent trends in stakeholder contribution are of concern.

To date, studies of CSR have enriched an understanding of value creation through business models by demonstrating the value of transparent and aligned management of capitals embedding complex stakeholder interests (IIRC 2013). In addition, these new forms of 'doing business' have heightened existing organisational appreciation of collaborative practice as fundamental in leveraging emergent business opportunities and innovation. This trend towards collaborative practice also acknowledges the importance of accountability and transparency regarding business impact, again seen by some organisations as an opportunity to transform their relationship with a broad range of stakeholders in conceptualising and moving towards longer term and sustainable futures in increasing volatility.

Thus, it might be argued that CSR as both philosophy and practice, particularly its contribution to stakeholder theory, is helping identify the value of collaborative approaches to innovation and organisational adaptation in response to new levels of complexity experienced by stakeholders. New and associated skill sets for individuals and organisations have also been highlighted as intrinsic to this process. To this end, a shift from dichotomous thinking is occurring, from the 'for or against CSR' towards a greater focus on dynamic interdependencies between stakeholders in the pursuit of sustainable practice in decision-making in complexity (Bolton and Landells 2015, 2017) at a global, organisational and individual level. Waldman and Balven (2014, p. 232) have associated this phenomenon with "a paradox management approach ... a firm [being] able to simultaneously pursue multiple goals that would benefit a range of stakeholders".

## 4.2 Stakeholder Heterogeneity, Power and Innovation

Importantly, such an approach to stakeholder interactions and forms of collaborative practice in complexity implicitly requires critique of the notion of power, including the power to decide and the power to determine what is appropriate discourse and associated knowledge to inform decisions. Jones et al. (2007) identified the role of power in building a stakeholder culture, the latter defined as "... the beliefs, values, and practices that have evolved for solving stakeholder-related problems and otherwise managing relationships with stakeholders" (p. 142).

... Donaldson and Preston's (1995) three-part taxonomy—normative (How should the firm relate to its stakeholders?), instrumental (What happens if the firm relates to its stakeholders in certain ways?), and descriptive (How does the firm relate to its stakeholders?)—helped focus and clarify much stakeholder thinking. The normative questions are particularly important because they differentiate stakeholder theory from other prominent theories in organization science, such as resource dependence, managerial cognition, and institutional theories (Jones et al. 2007, p. 137).

They identify a convergent theme in stakeholder literature, a concern for the interests of others compared to that of self-interest suggesting that "... managers often feel tension between these two sentiments when they make stakeholder-related decisions, a tension frequently ... emanating from stakeholder attributes: power and legitimacy" (p. 137). The concern expressed by Jones et al. (2007) relating to the exertion of power in the management of stakeholder relations draws from Willer, Lovaglia and Markovsky (1997, p. 573) who see it as "... the structurally determined potential for obtaining favoured pay-offs in relations where interests are opposed", the term being ethically and morally grounded. However, Foucault in Rabinow (1984) reminds us that ethics and morals are a product of societal discourse, i.e. the specificity of the politics of truth in our societies, a perspective worth considering when analysing or evaluating the nature of CSR or its manifestation in stakeholder values, interests and practices.

## 4.3 New Technologies, New Processes and New Stakeholders

The focus of the argument here is concerned with; stakeholder contribution to knowledge manifest in new stakeholders as purveyors and managers of what has been termed 'data science', associated forms of power, and possible consequences for broader stakeholder relations. As Foucault in Rabinow (1984) noted, the contribution of the expert as technician in Western society is shaped through operating and interacting with the political economy of truth and power in a society. This chapter aims to expand the understanding of how existing powerful stakeholders might use new data technologies in the decision-making process to create certainty, also highlighting implications around the emergence of new and powerful

stakeholders, i.e. the technocrats and consultants applying the new knowledge creation technologies, and the challenges posed for other forms of knowledge generation and transparency across stakeholder groups.

The argument draws on Phillips' (1997) observation that normative legitimacy underpinning notions of fairness are created when stakeholders accept the benefits of stakeholder cooperation that are mutually beneficial. Collaborative knowledge creation is seen as a manifestation of this thinking, requiring openness to stakeholder insights and experiences. The chapter also draws on Foucault's observation that sophisticated power use facilitates social production and societal development (Rabinow 1984), these considerations being inseparable from the exercise of power in economic development. CSR theory recognises this level of sophistication, raising the issue as to how heterogeneous stakeholders, with interests across economic, social, environmental and political organisational and institutional goals and achievements, develop shared appreciation of issues and solutions, leveraging insights around respective stakes in the process, as a basis for action. The sophisticated use of power appears intrinsic to this process.

Thus this conceptual chapter raises emergent issues concerning the relationship between technology, power and process and potential impact on collaborative stakeholder practice and the process of innovation. It builds on previous concerns about organisational cultures that cling to the belief that knowledge and intelligence rest with bureaucratised power elites in increasingly complex organisational environments (Stacey 2011; Alvesson and Sveningsson 2003; Western 2008) without considering the contribution and potential impact of stakeholders. It extends the debate from concern with the imposition of organisational power on external stakeholders, to question how in increasingly complex environments organisational agendas are being determined and implemented. Using Foucault's terminology, it considers how 'truth and power' are shaping the professionalisation of experts through the collection, analysis and application of 'big data' through decision-making.

The use of new technologies to analyse trends and patterns in big data raises questions around the extent to which organisational executives might leverage these processes to preserve power and control over intelligence and knowledge creation in complexity. Where this occurs, the purveyors of big data might need to be recognised as emergent and multi-faceted stakeholders with potentially increasing and non-transparent power over other stakeholder inputs into decision-making and implementation processes. This contrasts with alternative perspectives on how this technology might enhance collaborative stakeholder process, and appears to fly in the face of Phillips' (1997) perspectives around fairness in acknowledging the contributions of broader stakeholder groups to value creation. This chapter goes further by proposing that in contemporary, complex environments 'fairness' might also include support, recognition and reward of managers and other employees for effective and collaborative processes of knowledge creation requiring skill sets that deal with constant redefinition of opportunities and challenges by drawing on multi-stakeholder critique and contribution to value creation. A specific focus here is to consider the importance of more open-ended knowledge creation as a

dimension of decision-making, knowledge creation and associated power distribution in complexity (Alvesson 2011). The possible impact of technology-driven data sources on decision-making processes is seen as pertinent in considering the tensions and synergies between top-down and emergent knowledge in organisations and across institutions and community sectors. These dimensions of stakeholder engagement are integral to CSR theory and practice.

The chapter draws heavily on recent work by Nowotny (2016) who explores the implications of the availability of technologically enabled analysis of big data sets, particularly concerning progression of political agendas and skill sets tensions between hierarchically based decision-making processes and those more open to broadly based and emergent stakeholder contribution. Accordingly, the purpose of the chapter is to introduce decision-making in complexity as ‘process’ research that is relevant to a better understanding of the progression of CSR agendas.

The pertinence of such ‘complexity’ as a key dimension of CSR and Sustainability studies can be gained by reflecting on the implications of the WBCSD’s *Vision 2050* which highlights the need to do business differently on the basis of a “new agenda for business laying out a pathway to a world in which nine billion people can live well, and within the planet’s resources, by mid-century” (Overview 2010). Whether or not these goals are embedded in CSR agendas, the overall goals illustrate possible parameters and paradigm shifts in the nature of business that characterise emergent complexity in business environments.

#### 4.4 CSR and Business Process in Complexity

Wang et al. (2016) analysed research trends in CSR over nearly six decades. They identify the emergence of three main types of scholarship in CSR. First they describe ‘antecedent’ research as that concerning why firms adopt CSR strategies. A second category is ‘outcome’ research concerned with the consequences of adopting CSR, and the third is described as a ‘process’ category of research “... intend[ed] to understand the ‘process’ of CSR decision-making or implementation and how stakeholders interpret or respond to corporate social activities”(p. 536).

It is suggested here that the ‘process’ category of CSR research might usefully shed light on complex decision-making processes, particularly in light of the diversity of stakeholder interests in, and pressures upon CSR agendas. This has significant implications for the openness of these processes to stakeholder contribution, and thus for more critical appreciation of power relations in decision-making. Not only does a CSR agenda manifest opportunities for stakeholder consideration and potential involvement in decision-making processes, it also illustrates complexity associated with alignment within sustainable development agendas, i.e. in the process of embracing economic, ecological, social and political factors in diverse regional contexts. By its very nature, CSR and stakeholder engagement can challenge structure, process, power relations and behaviour underpinning organisational functions and knowledge generation in the

decision-making process. Dynamic interactions within these processes manifest tensions foreshadowed by complexity theories, including the value of recognising emergent forms of ‘order’ and outcome in addition to rational linear process in stakeholder interactions.

In other words, sustainability agendas can highlight dimensions of complexity in business process that often go unrecognised. Bolton and Landells (2017) argue that many CSR debates, although acknowledging the complexity introduced by emergent stakeholder agendas, still conceptualise the adoption of a CSR business case as dichotomous, i.e. arguing for or against particular courses of action and searching for comprehensive and logical cases to support rational decision-making by agents. However, it has been widely recognised that CSR agendas illustrate new forms of complexity in decision-making, embracing a range of systemic interests from micro-organisational to global economic development, each with different levels of uncertainty and divergent stakeholder values and involvement. As such, a CSR agenda introduces lenses for critique of complex processes that may have previously assumed rationality and linearity, and perhaps unwarranted levels of certainty around problems and solutions. In this volatile, uncertain, complex and ambiguous environment or VUCA environment (Bennett and Lemoine 2014) CSR agendas, by their very nature, anticipate multiple paradigmatic shifts in what have been seen by many as the core drivers of business, e.g. resource access and stewarding.

## 4.5 Stakeholder Involvement in Decision-Making

Decision-making to progress CSR agendas requires a stakeholder focus that can provide “a comprehensive and unifying framework for understanding the complex interactions between firms and their internal and external constituencies” (Doh and Quigley 2014, p. 256), often tension-ridden around short and longer term resource usage, investment and return. In this environment, insight into risks and opportunities associated with progressing CSR agendas will likely be emergent. Dynamic stakeholder interaction as ‘process’ warrants further investigation, particularly given the heterogeneity of stakeholder interests discussed earlier, and the different levels of power perceived, experienced and reconfigured in the process of collaboration.

For example, Cohen et al. (2012) reflected recently on the continuing importance of their 40-year-old Garbage Can model of decision-making which demonstrates that decision-making relies less on rational process than it does on the actors in the decision opportunity space, and their agendas. Bolton and Landells (2017) suggest this framework might also explain the impact of dynamic stakeholder interactions on problem and solution identification in time-bound and dynamic decision spaces. Carter et al. (2011) saw this framework as relevant to critique the Cancun Climate Conference ‘failure’ by illustrating the lack of agreement between nations as stakeholders, given the lack of convergence between the scientific case and political and public policy around emissions control. In other words, the rational agendas of

developed nations concerning the implications of the scientific case for public policy held no probability of achieving consensus. Bolton and Landells (2017) also suggest that the garbage can model can help identify emergent, transient and dynamic power relations in the decision-making process, often challenging more traditional power relations and structures embedded in individual and coalition-based agendas.

This chapter extends the discourse around the politics of decision-making by focussing on different and emergent influences on rationality and logical decision-making, questioning the potential impact of power relations in determining the nature of knowledge, and in this case the value of stakeholder perspectives that are more or less transparent and more or less legitimated by discourses of power. As far back as 1986, Perrow, in his critique of organisational bureaucracy, suggested bureaucracies might constrain organisational adaptation because they legitimise and disguise the centralising of power in societies "... and this control has generated unregulated and unperceived social power" (1986, p. 5). By way of contrast, CSR agendas demand attention to systemic interconnections between diverse stakeholder interests and concerns, with the potential to challenge the dominant discourse and highlight the dangers of narrow centralised agendas unable to respond to emergent and shifting realities.

## 4.6 Technology, Power, Control and Stakeholders

An additional concern is what is driving decision-making in increasing complexity and particularly the search for new forms of certainty in this process. Perrow (1986) noted that bureaucracies needed to demonstrate that "the administrative elites of owners and managers had more capacity to engage in logical thinking and calculation than the workers. It was a capacity born of the necessity of guiding complex organizations" (p. 60). However, more recently, the complexity of organisational and institutional agendas appears to be challenging this capacity for logical thinking by elites in setting strategic direction.

Recent work by Nowotny (2016) explores the potential of technology-facilitated production of 'big data' to provide decision-makers with multiple options through correlation-based analysis, in recognition that causal-based predictions no longer provide the perceived certainty, traditionally associated with centralised bureaucratic decision-making. She describes this shift as representing a move from the 'why' to the 'what' and 'how' of decision-making. Possible implications for such a shift are identified in relation to organisational dynamics, power relations and the nature of decision-making itself. What is questioned here is the impact of this technologically driven approach to knowledge creation, and its contribution to the emergence and management of broad-based stakeholder contributions associated with CSR agendas, their progression, and sustainable business practice. In other words, it is asked whether CSR agendas require more transparent and socially

responsible decision-making to generate both understanding and trust between stakeholders and to what extent the use of big data might support or impede these outcomes.

Nowotny (2016), in discussing fears related to new technologies and innovation, cites Franklin's (2013) observation that many philosophers identified degenerative decline after the introduction of technology, suggesting new technologies might be greeted with ambivalence. It is in this spirit that technologically driven big data is questioned as a panacea for the challenges of decision-making in high complexity, including shaping decisions for CSR innovation and implementation. In this vein, Nowotny (2016) critiques technology as a form of control, suggesting that

As extension of the biological deficiencies of the human species, technology lends itself to the fantasy of omnipotent control. Only slowly does this fantasy yield to a more humble realisation that in coping with the complexities and challenges of the present, a sole reliance on technological improvements, let alone on technological fixes, will not suffice (2016, p. 26)

It is suggested that the technological fix for identifying bureaucratic options to control complex and integrated economic, social, environmental and political domains of organisational choices, needs further exploration. Process research around CSR might include an understanding of both power and its relationship to technology-driven knowledge creation processes, as a contribution to understanding the extent to which stakeholder relations can emerge as shapers of innovation through the decision-making process.

As an example, Seifi and Crowther (2016) have highlighted the global process of resource depletion and increasing citizen and consumer awareness of associated causes and effects. They note the level of access to energy resources both renewable and non-renewable by Brazil, Russia, India and China (BRIC) and the economic and political unknowns influencing resource access for other countries in the future. They suggest that awareness of resource depletion is becoming comprehensive given the bombardment of this message across nations and sectors, i.e. for organisations, institutions, governments and citizens to become environmentally responsible.

But there are often different and inconsistent messages to consumers and citizens that suggest the increasing importance of transparency of data analysis, particularly in relation to assumptions underpinning political commentary and action. Recently, there has been further political polarisation of essential messages to citizens in the US, in that President-elect Trump has threatened to pull out of the Paris Agreement; end the 'war on coal'; cut funding to clean energy research and climate change; cut funding to the UN Change Program, and remove regulations on the energy industry concerning exploration (Climate Council 2016a). Similarly in Australia messages to citizens and consumers are also often inconsistent. The Climate Council noted an interesting tension between Australian federal and state governments in 2016 and their respective messages for citizens around resource usage. On the one hand, it claims huge progress was made on renewables: with the Australian Capital Territory (ACT), Northern Territory and Victoria all setting or increasing their

Renewable Energy Targets; Victoria, ACT, South Australia and New South Wales all being committed to net zero emissions by 2050 (Bruce et al. 2016); two of Australia's biggest solar plants in Broken Hill and Nyngan being officially launched; and, there now being more than 23.2 million solar panels in Australia (Climate Council 2016b). On the other hand, the Commonwealth government derided the states for 'aggressive', 'unrealistic' and 'ideological' renewable energy targets, blaming their pursuit of such targets for lack of reserve energy capacity following an extreme weather event in South Australia. Bruce et al. (2016) note that these state targets and the states' call for a national emissions scheme to be implemented through harmonised state action suggests that "...state government efforts do not appear to be 'ideological'. That would seem to better describe the federal government's present opposition to even exploring promising emission reduction options".

In this environment, it is suggested that analysis and application of big data sets as part of commercial services to key stakeholders (including governments) need transparency. Data analysts supporting stakeholders in tension-ridden situations such as those described above might be better perceived as acquiring the status of stakeholders per se. The opportunity for scrutiny of evidence and advice, as a dimension of transparency, remains part of the democratic process particularly in times when political agendas concerning the transitions from non-renewable to renewable energy (and the mixes between them) are fracturing. In this context, the focus on the 'what' and 'how' of strategy and process can endanger the development of a transparent and evidenced agenda that identifies the strategic rationale behind responses to ecological challenges and the related definitions and interpretations of an opportunity or problem set. It is argued that a problem set is contextual and cannot simply emerge from analysing patterns of behaviours and interactions that may be contextually specific to a range of stakeholders and drivers in other environments and can have huge implications for social and political impact.

Reliance on quantitative analysis across diverse data sets assumes stability in qualitative factors underpinning the results (Marx 1973, Nowotny 2016). Thus caution needs to be exerted in assuming that the 'why' supporting decision-making can be jettisoned because its associated powers of predictability and probability are seen as diminishing in increasingly complex environments. In fact, anecdotal information suggests that there is a lack of critique in many strategic contexts concerning assumptions about the value of big data. There is some suggestion that it gives consultants an easy 'in' to volatile sectors by suggesting that there are homogenous patterns of activity that should be emulated in given contexts, the argument getting more convincing every time this rationale is accepted and a new data set or client is added. In addition, such an application of big data can serve traditional and bureaucratic forms of power in that quantitatively based probabilities demonstrating the 'what' and the 'how' have the potential to be used performatively to become the new 'why'.



## 4.7 The Contest for Control: Performativity and Data

CSR agendas and their need for both multi-disciplinary and multi-stakeholder inputs potentially challenge those with stakes to reconsider problem definitions from an alternative and emergent perspective. Two key issues are identified here in relation to the challenge and opportunity posed by technology and new forms of data to inform decision-making. The first set of issues concern common tendencies of hierarchies to maintain control in complexity, particularly that of knowledge and expertise. Thus, a tension can arise between administrative elites and the pressure for more democratic forms of knowledge creation in complexity. The second issue set concerns the power tension between key societal stakeholders such as science and the community. Again the community seeks more democratic influence as a stakeholder, as the traditional ‘professionals’ struggle to maintain control over the nature and timing of their contributions. Performance measurement becomes a key political tool in these struggles.

### 4.7.1 *Organisational Tensions in Maintaining Control in Complexity*

Perrow (1986), identified the contest for control in complex organisations, noting that “[o]rganizations generate power; control and use of that power are vital organizational issues ... [and they are] ... tools for shaping the world as one wishes it to be shaped” (1986, p. 11). He also notes that individuals or groups who control the organisation have “... power that goes far beyond those lacking such control” (p. 11). In this way, a dimension of the contest for control is organisational subtlety, i.e. “[o]rganizations allow leaders to achieve goals, some of which are unannounced and costly for the rest of us and are only attributed to incompetence” (1986, p. 13). This analysis provides a framework for understanding the power of performativity as a management tool oriented towards maintaining control in complexity, the role that information sources (e.g. technologically-enabled big data) can play in the organisational contest for control, and, possible implications for stakeholder involvement in the identification, promulgation and implementation of CSR agendas.

Foucault (1976) analysed power through the use of language as power games. Marshall (1999) augments Foucault’s position by a focus on performativity which he describes as the process by which bureaucracies articulate and set goals “... in ever narrowing demands of reporting” (p. 310) in the interests of demonstrating efficiency and accountability through measuring outputs associated with the efficient use of resources. In this process, aims and ideals are subjugated to efficiency techniques. An implicit danger of performativity is its subtlety in shifting the rules of the game. Marshall (1999) explains this by drawing upon Searle’s (1965) differentiation between constitutive and regulative rules in language usage. Searle’s

constitutive rules set up a game or system, whereas regulative rules are more generic and regulate important dimensions of the game or system, but are drawn from pre-existing and possibly unrelated behaviours. The danger occurs when the latter are used to replace the former. In other words, ‘how’ people play the game or ‘what’ happens when they do, becomes more important, or an alternative rationale for the goals and objectives of the game itself, or ‘why’ it is important to have the game or system in the first place, or not. A performative discourse utilising regulative rules is exemplified in the Australian federal government’s recent comments on state policies for renewable energy, referred to above, seeking to shift the rules of the game from a focus on why it is important to have authentic renewable energy targets and policies to concerns about energy stability in the wake of disruptive climate events that ignore the polluting potential of non-renewable energy sources.

Perrow (1986) also explored the contest for control in organisations as a tension between a form of ‘particularism’ demonstrating how individualistic power can dominate broad organisational purpose and the setting of universalistic criteria or standards that would provide appropriate capability to optimise organisational goals. He also concludes that although universalistic criteria would seem more appropriate to achieving organisational control, it is not that simple, because “to establish standards one has to know the real goals of the organization” (p. 10). He suggests that when power is used for personal ends, organisations can become “... tools designed to perform work for their masters, and that particularism or universalism is relative to the goals of the masters” (p. 13). This critique of the dynamics and drivers of organisational strategic and operational decision-making has implications for organisations facing increasing complexity and the need for transparency.

In identifying the increasing limitations of power in complexity, Perrow noted Tannenbaum’s (1968) finding that “[o]rganizations in which both the leaders and members are judged high on influence will be more effective than those in which either or both are less influential” (1986, p. 113). It might be assumed that to achieve such influence in complex environments, a dynamic interaction between leaders and members of organisations occurs around knowledge exchange, as promulgated in the theory of complex adaptive systems (Dooley 1996; Olson and Eoyang 2001), the focus being on emergence as a form of order creation.

As complexity increases, the tensions between particularism and universalism also appear to increase. A form of particularism occurs when those wishing to control and shape action through a performative discourse narrow the field of issues to achieve a simplified representation of reality. It is suggested here that performativity strategies can draw on both technology and language to support top-down organisational control. This process often relies on diminished transparency, rather than being a means of opening up the patterning and understanding of organisational intent in complexity. In other words, the culture of control can impede the power of technology to provide insights open to critique from above and below.

### ***4.7.2 Performativity Between Institutions and Society***

The tensions between the principles of universalism and particularism and their actualisation through performative discourse can also be applied to key institutional interfaces, not merely those at a corporate level. As an example of the complex relationship between performativity, technology and language, Nowotny (2016) uses agency theory to explore two main “countervailing tendencies shaping the relationship between science and society” (p. 81). One is the importance of the societal contract, widely accepted globally, in which the principal who pays (i.e. the government and taxpayer) commissions the agent (i.e. the researcher) to produce useful knowledge. A feature of this relationship is its asymmetrical nature, i.e. “[t]he agent always knows more and better than the principal, yet the principal has to assure the productivity of the agent and that investments will yield economic and social returns” (2016, p. 81). The problem is that this tightening up of previously more informal scientific promises to society, e.g. insights into climate change and resource implications, can be challenged. The drive towards efficiency through process control can anticipate and shape scientific focus thus narrowing the application of existing knowledge and limiting scientific discovery. It can also obfuscate the broader social potential of knowledge in the interests of those who benefit by its partial application.

On the other hand, Nowotny (2016) also recognises that this approach opens up the scientific working space to citizens in the research process itself. The notion of open science reflects diverse actors in multiple environments coming together. In this scenario, it is claimed that citizens become more empowered stakeholders who can lobby to exert influence emanating from community and political will. Again, in the context of resource usage, transparency and innovation, future challenges include the design of information gathering, problem identification, knowledge creation and decision-making, critical to comprehending ‘progress’ towards more sustainable resource usage.

It is argued here that the quest for new forms of certainty in increasingly complex organisational environments has implications for the enhancement of stakeholder involvement through more open and accessible insights, options and engagement. Critique of such process is seen as intrinsic to CSR research and practice, given the centrality of diverse stakeholder interests and involvement. The tactics of corporations producing non-renewable energy deserve attention at this time, as noted earlier. A key feature of these tactics is the evidencing and propagandising of scenarios and claims and it is in this context that the use of technology-facilitated data sources is of interest, specifically their use as evidence for sustainability strategy. Such process is critiqued as having the potential to aid forms of particularism and performativity by legitimating control by powerful stakeholders or coalitions of stakeholders, including consultants, relying on forms of big data that obscure the ‘why’ in favour of rationalisation based on promulgating examples of the ‘how’ and the ‘what’.

The danger appears to be that the skills to recognise manifestations of particularism in decision-making are increasingly compromised by performativity in the education system itself. Marshall (1999) notes that education "... has been subsumed under the performativity of the wider social system because education is required to create the skills which are indispensable if the wider social system is to perform efficiently" (1999, p. 310). He suggests that the tension in this scenario is that education no longer works towards producing ideals that might influence an elite in guiding a nation towards informed social progress, rather the aim is to "... supply the system with players capable of acceptably fulfilling their roles at the pragmatic posts required by its institutions" (Lyotard 1984, p. 48). Similar to Perrow, Lyotard is concerned with the abandonment of democratic principles in institutions "... as they have undergone realignment to the performance of the wider social system" (Marshall 1999, p. 11).

These assumptions deserve further exploration in the context of complex decision-making and the use of technology-facilitated information to inform or legitimate direction setting in complexity. Nowotny's (2016) comments concerning the tension between openness of data sources and possibilities of closing down expert agency are further explored below. The intention is to focus on big data producers as stakeholders who are potentially changing the constitutive rules of the game by creating new norms with little consideration of context, possibly aligning with leadership's intent to replace strategic direction setting with adherence to perceptibly normative patterns of action attributed to other players in different contexts by external stakeholder 'experts'. This situation can also be interpreted through Perrow's (1986) notion of 'particularism', whereby elites can choose rationalisations or evidence to support their own interests rather than universalistic interests of the organisation or the broader society in the case of CSR. Alternatively, the application of big data can be seen as a means of opening up the strategic mindset to useful alternative data.

## 4.8 Decision-Making and Power: Big Data as a Response to Complexity

Perrow (1986) argues that particularistic agendas in organisations that clash with criteria of perceived efficiency are anti-democratic, abnegate principles of equality, but also breach the contract between the organisation and society in that "... organizations draw on resources provided by society in general and thus are beholden to all of society" (p. 8). He also suggests that generation of order in organisations is achieved through the development and application of professional standards leveraging efficiencies introduced by technology. It might be perceived therefore that organisations are obliged to improve processes associated with information generation, analysis and decision-making in line with the principles of optimising resource stewardship. However, the application of technologies requires critical review from the perspective of stakeholder interests.

The relationship between power and knowledge also needs consideration when identifying the nature of efficiencies in knowledge creation and application of processes to optimise organisational agendas. Foucault (1980) reminds us that knowledge is not a mirror reflection of the ‘real’ world, rather, knowledge categorises and produces interpretations of the world, heavily influenced by the power status of the communicator. Alvesson (2011, p. 1645) reinforces Foucault’s contentions by stating that “... people in their functioning are much less rational” than science often claims, and that “[f]rom a functional point of view, areas of knowledge develop as a response to problems and possibilities” (p. 1643).

It is thus important to recognise that in increasing complexity these ranges of functional perceptions and responses to problems and possibilities will increase and can challenge less open and often particularistic process for achieving universalistic priorities for sustainable organisational practice. Managing this tension appears to be integral to progressing CSR agendas and might suggest the urgent need for new forms of collaborative practice. The associated dangers highlighted by Perrow (1986) around limitations imposed through hierarchy on open process contributions to informed strategic thinking are thus reinforced when particularism poses as universalism. He notes

... the bulk of people in the lower and middle levels are prevented from really giving their all for goal achievement ... Subordinates are afraid of passing bad news up the ladder or of suggesting changes (Such an action would imply that their superiors should have thought of the changes and did not). They also are more afraid of new situations than of familiar ones, since with the new situations those above them might introduce new evils, whilst the old ones are sufficient ... Everything must be kicked upstairs for a decision, either because the boss insists or the subordinate does not want to risk making a poor decision. All this indecision exists at the same time that superiors are being authoritarian, dictatorial and rigid, making snap judgements that they refuse to reconsider, implementing on the spot decisions without consulting their subordinates and generally stifling any independence or creativity at the subordinate levels. Subordinates are under constant surveillance from superiors, thus they often give up trying to exercise initiative or imagination and instead suppress or distort information (1986, p. 29).

These tensions appear to be heightened as executive levels continue to seek control in increasingly VUCA type environments. Nevertheless, there is also increasing awareness of the need for a new science around forms of collaboration to achieve urgent, multi-stakeholder, national and global agendas. Alvesson (2011) denies that information has a legitimate status based on either hierarchy or on the knowledge intensive nature of its function. Rather he argues for the ambiguity of knowledge suggesting that the claim to core product knowledge is dissipating in complexity and that a more appropriate mindset is that of working with knowledge in context. This definition opens up the decision-making process to involvement across organisational boundaries and levels, based on the generation of knowledge by working with knowledge in context, across stakeholder boundaries.

So has culture around decision-making and social cooperation in organisations shifted since the 1930s and 40s when Elton Mayo observed that people wanted to be led purposively, persuaded by well-evidenced and rational reading of opportunities and strategic approaches to promote certainty and Chester Barnard asserted

that leaders and managers could adapt technological innovation in line with societal interests? Both acknowledged the significance of trust in the art of leadership and followership; an insight that has become increasingly important in an age when certainty is at best transient, if achievable at all. Nowotny (2016) suggests that sense-making certainty around adapting technology to align business and societal goals is challenged by aggressive discourse about disruptive technologies and innovation. Such discourse tends to diminish perceptions of the inherent potential of technology as a creative force, replacing it with the threat of technology-driven and frantic competitive strategy, advocating cultures of fear over more productive ones that deal better with uncertainty.

Instead of recognising the long and often arduous trajectories in which Joseph Schumpeter saw innovation as the combination of multiple strands, from new modes of financing, to processes and products of production, from organisational reshaping to cultivation of the entrepreneurial spirit, disruption only preaches the hope of salvation against the very damnation it describes: disrupt and you will be saved (Nowotny 2016, p. 23).

Lepore (2014) also criticises this philosophy of disruption, characterising technological innovation, as lacking evidence. Franklin (2013) describes this fear following technological change as degenerative, sitting in tension with expectations of an improved future through technological innovation. Data analysis can become a tool to support political manipulation in these cultures of fear.

Alvesson (2011) recognises that the quest for certainty takes on many forms including the pursuit of modelled perfection or optimisation:

Rationalized myths exercise a strong impact on formal organizations which are compelled to respond to these through developing the ‘right’ structures including professions, programmes, and technologies in organizations (2011, p. 1648).

These ‘right’ structures often aim to create new forms of certainty through new insights from data analytics. However, certainty is often transient and limited in transparency, creating new forms of ‘politics of exclusion’ in the stakeholder contest for control of direction setting. Consultants or data analysts, sometimes with little experience of the industry in context, might be perceived as new stakeholders committed to manufacture new forms of certainty, and as such their contribution requires focused critique.

As a basis for such critique, Nowotny (2016) suggests that in complexity, future-making, although absurd, is pursued as a social reality; a narrative that is both predictive and performative. It is predictive

... as it keeps the infinite horizon of the future open, encouraging and prodding us to move on, performative, as it is backed by powerful technologies that exercise foresight and the controlled management of risks. As a historical narrative it is designed to instil confidence and certainty. Arguably both are needed when facing an unknown future (2016 p. 29)

She also warns that a narrative is not a reality and that future global challenges are not only scientific or technical challenges. Citing Felt (2014), she suggests that these are democratic challenges requiring “... societal participation and... responsible innovation in which citizens are not expected to only accept the future

as it has been designed for them... [but are] ... enabled to appropriate their future in the making” (2016, pp. 29–30).

This argument appears very relevant to the design and implementation of CSR agendas in diverse contexts which are subject to a variety of normative values.

## 4.9 Power, Control and Knowledge

Perrow (1986) noted that rules are needed in organisations when complexity increases due to variability in personnel, customers, environments, techniques of production, etc. He suggested that in organisations where members agree on goals and the techniques of achieving these goals are within the ability of members, then rules are required to a much lesser extent.

As complexity has increased commentators such as Eisenhardt et al. (2010, p. 1263) have identified attempts to gain control in dynamic environments. They noted that a major challenge for organisations is to balance efficiency and flexibility through new approaches to “routines as the microfoundation of performance”. They argue that in dynamic environments this balance is achieved through leaders “emphasising heuristics-based ‘strategies of simple rules,’ multiple environmental realities, and higher order ‘expert’ cognition” (p. 1263). This line of argument adds precision to analysis of the microfoundations of performance, by continuing to emphasise top-down intelligence as the generator of order through broad-based rules allowing interpretation and adaptation. Applying this framework without adequate focus on context and culture as an antidote to inappropriate expert advice, including that based on aggregated and normalised patterns out of context, appears fraught and offers an opportunity to further critique the influence of power over knowledge, often created in emergent and practical contexts.

Nowotny (2016) notes the increasing importance of technology in perceived attempts to ‘control’ the future, suggesting “[t]he open-ended nature of the future is the hallmark of science... as such it remains enmeshed in recurrent fantasies of control...”(p. 28). Technology contributes significantly to this objective. Big data results from sophisticated algorithms being applied to vast stocks of statistical data through complex simulation models claiming capability to predict from trends, analysis of social behaviour and perceived outcomes; the nature of predictions and probabilities being shaped often by Western grand modernist narratives. She gives the example of science’s belief in the possibility of modernising Indian slums, an interesting example in the context of CSR strategy. Slum dwellers however are not as taken with this solution and therein lies what might be described as the unexpected, such emergent realities being difficult to capture in big data. She reminds us that this search for certainty through technology is a contradiction in terms, uncertainty being embedded in the methodology and process of technology-driven data analysis. Thus she suggests that “the serious engagement with *futura* and hence with the realm that is still open to our influence, *carries a visible normative signature*” (p. 30 end emphasis added) when considering probable, possible and

preferred futures. Of relevance here is her reminder that the normative impetus in thinking about preferred futures has not disappeared, and that sustainability and CSR agendas deserve critique along these lines. It has been argued here that decision-making process is a critical component of that critique.

Thus, given the focus here on the importance of stakeholder contribution to knowledge generation and identification of critical problem sets and opportunities in dynamic environments, the role of big data might be perceived in two ways. First, it might contribute to the democratisation of decision-making processes through identifying risks and opportunities associated with patterns of stakeholder contribution and behaviours, i.e. the ‘what’ and the ‘how’ of action in complex, dynamic and interactive stakeholder environments. Second, it might help demonstrate the characteristics of stakeholder engagement in strategic and operational decision-making process, again identifying the ‘what’ and the ‘how’ of action. In both cases, analysis will depend on the questions being asked, i.e. do they recognise normative assumptions underpinning quantitative analysis. Identification of these normative assumptions would help identify the purposes to which big data is being applied and its value in a strategic planning process. Thus perhaps a second stage of research design supporting strategic decision-making is to verify the contextual sensitivity of research methodologies, including appropriate qualitative exploration.

For example, in the case of CSR, how are stakeholders perceived? Are they agents of innovation in terms of collaborative and emergent capability? Bolton and Landells (2015) noted that “given increasing strategic ambiguity, managers are leveraging broad stakeholder knowledge and input to achieve credible strategic outcomes that stakeholders can accommodate” (p. 604). From the perspective of knowledge and power, this might sit in tension to some extent with the top-down solution suggested by Eisenhardt et al. (2010) that ‘simple rules’ set by experts above can accommodate different levels of stakeholder interaction and contribution. Big data can inform these tensions, including issues concerning CSR strategies, what is acceptable to stakeholders, and efficiencies gained by understanding appropriate details of stakeholder dynamics, but only if the effects of context are carefully considered and more broadly, the politics of knowledge creation are acknowledged as a basis of stakeholder culture (Jones et al. 2007). On the other hand, big data can be used by decision-making hierarchies to obfuscate strategic thinking and to justify organisational approaches on the basis of particularistic, performative behaviours and individual normative assumptions devoid of context, as described earlier.

Aras and Crowther (2007) propose a model of CSR which considers aspects of sustainability, i.e. societal influence, environmental impact, organisational culture and financial performance that need to be measured in a sustainability policy, and hence are important for progressing CSR agendas. They purport all these factors need to be considered in terms of dynamic interactions and context to understand processes of optimisation. This suggests the need for deeper insights into firm performance (at an individual and comparative level) than those gained through sectoral and broader aggregations of data as a basis for analysing performance and



anticipating futures. Further, they suggest that organisational culture (defined largely as the relationship between the corporation and internal stakeholders) might be broadened. It has been suggested here that a broadening of sustainable organisational culture might acknowledge less transparent stakeholders, including those suggested here as responsible for introducing new perspectives on data analysis assisted by new technologies, such technologies often obfuscating the importance of context. Transparency in information sharing (especially assumptions) in decision-making processes might become a key feature of sustainable organisational culture and CSR.

Nowotny (2016) reminds us that big data might be perceived as background noise of what others do and aspire to be. Thus, the normative assumptions underpinning organisational aspirations including CSR strategies still need to be understood contextually from the perspective of the ‘why’, when interrogating big data. Only in this context are subtleties of meaning identifiable, as is required for organisational strategic direction setting and communication. Merely considering the ‘what’ and the ‘how’ of action can lead to a compliant mindset within strategic thinking, unleashing the forces of performativity, with the possibility assumed norms and assumptions replacing contextual realities and potentially stifling innovation. The perception of gains and losses embedded in big data have proven effective in identifying technical risk, but less effective in identifying more unexpected social risks, contingent upon emergent and contextual factors. Nowotny notes that gains and losses for different stakeholders have social impact and thus constitute a source of unpredictability. Without specific understanding of ‘why’ that is transparent and communicable, it appears unlikely that additional contextual analysis will be sought to provide a more complete picture of probable outcomes and risks.

## 4.10 Conclusion

The focus on particularistic versus universalistic organisational agendas has been identified as a useful means of differentiating between short-term personal agendas of individual internal stakeholders in organisations and assumed urgent universalistic agendas of which CSR is one expression. Kincheloe and McLaren (2005) recommend that we perpetually search “... for new and interconnected ways of understanding power ... and the way [it] shape[s] everyday life and human experience” (p. 308). In line with what has been argued above, they note the risk that instrumental and technical rationality delimits an understanding of power to ‘how to’ rather than ‘why should’, thus limiting critique of what could be. Such appraisal is critical to CSR strategy that deals with multiple unknowns and emergent levels of consciousness.

It has been argued here that a focus on correlative probabilistic interpretations of the ‘how’ and ‘what’ can support a tendency for hierarchies to avoid clear articulation of strategic rationales, possibly obfuscating strategic intentions and

accountability by relying on rich aggregated trend data that lacks nuanced appreciation of ‘what could be’, in the context of identified intention and resource availability. The argument that modern-day complexity prevents or deflects the linearity of direct causes and effects in favour of non-linear dynamics does not remove the value of asking ‘why’. Jettisoning the ‘why’ for the ‘how’ and the ‘what’ does not necessarily provide more reliable insights into the “surprises that come with the increasing order of complexity” (Nowotny 2016, p. 35).

The cunning of uncertainty sends one back to consider context, the framing that holds but also constrains. It makes one realise that abstraction is only achieved after stripping away the traces imprinted by the context in which ideas and concepts originally arose. Ignoring context leads to many policy failures as it is wrongly assumed that what works in one context will also work in another. The cunning of uncertainty reintroduces context (Nowotny 2016, p. 35).

In the case of CSR, rich data could highlight the possibilities of multiple levels of stakeholder engagement to illustrate the dynamics of variety in context rather than aim for certainty based on aggregation. The latter appears to obviate progress towards strategic embedding of CSR into mainstream strategy and sensitivity to local adaptation. This is not to ignore possibilities of insight from big data, rather the intention is to ensure that the ‘why’ is represented in identifying the contextual relevance of the ‘what’ and the ‘how’.

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# Chapter 5

## Against Theory: Redefining Corporate Social Responsibility Using a Lacanian Perspective

David Crowther and Shahla Seifi

**Abstract** While we have been congratulating ourselves that CSR has entered into mainstream organisational practice and have been analysing its effect, events have been happening which we have ignored. Recently we have seen blatant failures in social responsibility when firms such as Volkswagen have spent their effort in inventing systems to cheat monitoring rather than spending the effort in improving their products. Similarly we have seen organisations such as FIFA shown to be corrupt and lacking in governance. It has been shown through such events that CSR and governance cannot be separated and must be linked in theory as well as in practice. So it is apparent that we cannot be complacent and that CSR as a concept has some failings which need to be addressed and that governance also has some failings. According to Jacques Lacan the world is a mirror on which we express ourselves to ourselves. In this chapter we use the Lacanian perspective to argue that the study of corporate social responsibility has become a narcissistic domain in which people argue about definitions and history rather than being concerned with development and new theorising.

**Keywords** Theorizing · Corporate social responsibility · Lacan · Freud · Individuation · Organizational myth

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## 5.1 Introduction

In his classic book about the philosophy of science Paul Feyerabend (1975) argued against scientific method and epistemological conformity in claiming that science is an anarchic enterprise. In other words he claimed that progress came from stepping outside the established tradition. This was echoed by Derrida (1978) who claimed that critique came from within and led outside. This is a step forward in the developing of theory from the seminal works of Kuhn (1962) and Popper (1959) who were concerned with explaining paradigm shifts and more in tune with Tinker and Puxty's (1995) description of how debate becomes closed down once a new paradigm is accepted. Sadly all of these writers were prescient in describing the way that the discourse becomes closed and enters the mainstream—for this is exactly what has happened within the CSR discourse. It is part of the eternal quest for legitimacy (Crowther and Carter 2002) with academics seeking to position their work within the mainstream discourse in the belief that this will add to knowledge and not simply enhance their own careers. In this chapter we extend this argument and use a Lacanian perspective to argue that the study of corporate social responsibility has become a narcissistic domain in which people argue about definitions and history rather than being concerned with development and new theorising.

With the development of CSR as a discipline in the late 1990s and early 2000s, academics turned their attention to both defining what was meant by CSR and how it might differ from corporate responsibility, environmental concern, corporate governance and latterly sustainability. For us this debate is sterile as it seems that it makes no contribution to knowledge and merely represents academics looking for their own space in what was then a not very crowded space.<sup>1</sup> Secondly they spent their time investigating the archives Derrida (1996) style in seeking out the earliest references to the term CSR. Such an activity led Foucault (1964) to develop a theory of madness but for most of us it just occupies time. This can be contrasted with Crowther (2002) who based his arguments on the work of philanthropic entrepreneurs during the industrial revolution and cited such examples as Richard Arkwright, Jedediah Strutt, Titus Salt and Robert Owen.<sup>2</sup> Crowther (2006) developed these ideas further to show the developing of CSR and its maturing as action, focusing upon corporate activity rather than merely analysis of what has happened. We argue that basing theory on an extrapolation of practice is more constructive than archive searching.

Although there is an undoubted panoptical element (Bentham 1789)<sup>3</sup> to the need for academics to publish and mark their territory, we argue that academics are in

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<sup>1</sup>It is of course more crowded now since the discipline has become established and fashionable.

<sup>2</sup>Interestingly the legacy of these entrepreneurs is not just in socially responsible activity but also in housing which is still desirable today and all are located in areas which now form world heritage sites.

<sup>3</sup>Interestingly the best example of a panopticon ever built was the Round Mill built in Belper, England in 1811 by Michael Strutt, grandson of Jedediah Strutt.

serious danger of marginalising themselves through their desire to legitimate their knowledge through the development of theory integral to each particular discipline and are therefore in the process of seeking legitimacy for the increasing irrelevance of their knowledge domains by means of this process of specialising while their market is generalising. It is probably an urban myth that such legitimising actually enhances academic veracity rather than distancing them from any potential contribution.

Postmodernist arguments contest the value of theory as a basis for legitimation. Thus Adorno (1973) argues that theory develops from legitimation not vice versa while Fish (1989) argues that theory is a political phenomenon used as justification for action rather than a rational base of knowledge, stating

“I will contend that in whatever form it appears the argument for theory fails, that theory is not and could not be used .... to generate and/or guide practice, that when ‘theory’ is in fact used it is .... in order to justify a decision reached on other grounds, that theory is essentially a rhetorical and political phenomenon whose effects are purely contingent, and that these truths are the occasion neither of cynicism nor of despair.” (p. 380)

Indeed Aronowitz (1988) argues that science is a socially constructed discourse which legitimates its power by presenting itself as truth, stating

“What we call science and what we call ideology are distinguished in practice by the degree to which the acceptance of the ideology of science exempts it from being called ideology.” (p. 341)

These perspectives question the whole philosophical basis of legitimation by referring back ultimately, via different disciplines, to scientific truth. They do not however affect legitimation by referring to the business community, and legitimacy through practice and empiricism. As Baudrillard (1981) would argue CSR has become a simulacrum—there is no original. The concept of CSR has however attained a life of its own through the resurrection of the myth of its origin and authenticity. It can therefore be considered to have attained hyperreality through becoming more real than reality.

At this point therefore it is appropriate to consider what is happening in the business world and how it relates to our understanding of CSR. It is important to explain at this point that we have not sought to define CSR in any sense because we consider that such a definition limits our understanding and analysis. CSR in its broadest sense permeates all of the activities of an organisation rather than being neatly segregated and confined to some pet projects. This is the basis of our investigation.

## 5.2 Through the Looking Glass and What We Found There

While academics have been considering the roots of CSR and its meaning, the business world has embraced it wholeheartedly (Seifi and Crowther 2012). Indeed not only it has become ubiquitous but it has evolved in corporate reporting so that

the newly fashionable term has become sustainability. Nevertheless it has become central to corporate activity but has changed somewhat in nature. So let us look at some of the things which are happening recently.

In September 2015 Volkswagen admitted that they had been using software to cheat on emissions testing of their diesel engines. Soon afterwards the Supervisory Board declared that “there is absolutely no excuse for the manipulations which have deeply shocked Volkswagen. The company will leave no stone unturned in getting to the bottom of this, will call those responsible to account, and take the necessary actions.” This led to a loss of confidence in the company and a loss of almost £50 million for the year 2015. Clearly the Board felt no responsibility for the cheating or for the loss made because in April 2016 they announced that 12 managers—including the chair of the Supervisory Board—would receive £49 million in bonuses for their performance during the year. This raises two important questions: firstly who is responsible for running Volkswagen if the Board are not; and secondly what would be bad performance if a loss of £50 million causes a performance bonus to be paid. More central to this paper is their claim that “social responsibility has long been at the heart of our corporate culture”. Presumably the company have been following the adventures of Alice in “Through the Looking Glass” (Carroll 1871) too closely and have decided that they agree with Humpty Dumpty in claiming that words mean whatever they choose them to mean! Interestingly they claim that “social responsibility has long been at the heart of their corporate culture”<sup>4</sup>—so presumably their heart is nowhere near their Board!

In another arena the Katrina Percy, the Chief Executive of Southern Health NHS Foundation Trust—a UK regional health authority—has faced numerous calls for her to resign after a series of damning reports since 2012. Instead she has stated that the CQC’s findings sent “a clear message to the leadership... that more improvements must be delivered and as rapidly as possible”. She added: “We will continue to share regular updates on progress publicly to demonstrate improvement and help re-build trust in our services.” She has failed to do this and Dr Paul Lelliott, deputy chief inspector of hospitals, said in April 2016 that, despite staff efforts, risks to patients were “not driving the senior leadership or board agenda”. He added “I am concerned that the leadership of this trust shows little evidence of being proactive in identifying risk to the people it cares of or taking action to address that risk.” This at last led to the resignation of the Board Chair but Katrina Percy presumably still believes that she is doing her job. The organisation has no CSR policy but has a strong sustainability strategy.<sup>5</sup>

In January 2016 Mark Bolland announced his resignation as Chief Executive of the Retailer Marks and Spencer as poorer than expected results were announced including a decline in sales of non-food items. Unusual weather was cited as a reason for the poorer than expected sales of clothing. What this really means is that

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<sup>4</sup>[http://www.volkswagenag.com/content/vwcorp/content/en/sustainability\\_and\\_responsibility/CSR\\_worldwide.html](http://www.volkswagenag.com/content/vwcorp/content/en/sustainability_and_responsibility/CSR_worldwide.html).

<sup>5</sup><http://www.southerntrust.hscni.net/pdf/SustainabilityStrategy2020.pdf>.



the shops were stocking coats during the warmest December on record. What it also means is that the chief executive was spending his time looking out of his office window and checking the weather instead of spending his time in his stores checking what his staff and customers were doing (and not doing). It seems that Peters and Waterman's (1982) prescription for excellence—MBWA (management by walking about)—has passed into obscurity (and been replaced by weather watching) and needs to be rediscovered.

Meanwhile Mike Barry and Lucy Calver<sup>6</sup> (2010) were undertaking some interesting analysis when they combined together to argue for the demise of CSR, stating:

“Many global businesses, including Nike, Unilever and Google, have recognised that the days of corporate social responsibility (CSR) are over. CSR was all about managing a few sensitive areas that had the potential to generate positive or negative headlines. To be a credible player today, however, you have to understand all the social and environmental issues that are relevant to your business. To tackle these, you need a clear business case, commitment from the top and alignment throughout the ranks. This covers not only your own operations, but also your supply chain and the way your customers use your products.”

Interestingly they do not seem to share the corporate view, which states that “Over the decades we’ve never stood still. We’ve progressed from philanthropy to community investment and onto corporate social responsibility (CSR).” Presumably part of the reason for the poor performance in the company is uncertainty about what its objectives are!

One company which has often been lambasted for lack of any sense of social responsibility is Primark. This however is what they have to say:

Since 2011 we have partnered with (BSR) Business for Social Responsibility, a global non-profit organisation, local partners and our suppliers on the HERhealth (Health Enables Returns) initiative. HERhealth provides—health education and access to healthcare to women working in the factories that make Primark's product. Women make up about 80% of the workers that manufacture clothes for Primark. In low income countries women often lack access to adequate healthcare and the knowledge they need to look after their own health. Common issues include poor pre and post-natal care, anaemia, the risk of infections and illness including HIV/AIDS, hepatitis B and C, and tuberculosis.

As an international retailer we recognise our responsibility to the environment and work hard to ensure our products are made with respect for workers' rights and the environment. We have a dedicated environmental sustainability team, who are part of Primark's wider Ethical Trade team, who work with our suppliers and their factories to implement our Environmental Sustainability Programme. We also collaborate with other retailers and organisations to help bring about change beyond our direct influence. As part of our Environmental Sustainability Programme we have strict chemical management requirements for our products that comply with EU and US legislation. We also look for opportunities to go beyond EU and US legislation to reduce the environmental impact of the textile manufacturing processes. Our suppliers agree to adhere to our standards as part of the terms and conditions of doing business with us.

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<sup>6</sup>Mike Barry is head of sustainable business and Lucy Calver is head of food and Plan A marketing. Source is Marks & Spencer Annual Report 2010.

This does not seem much different from what other organisations are saying. Certainly it is specific and verifiable (in the full report) so it can be contrasted with the reporting of a supposedly ethical and socially responsible organisation such as Marks and Spencer. They state:

We're only a fraction of the way along our journey to becoming a sustainable business.

We started our Plan A journey seven years ago. Whilst the health of the economy has waxed and waned around us ever since we have never wavered in our determination to deliver our commitments nor from our view that building a sustainable business will take many years and will require many phases in the Plan A journey.

The first phase of Plan A in 2007 saw us make 100 commitments to reduce the social and environmental footprint of our business across all that we do, 100s of stores and 1000s of supply chain locations. In 2010 we entered a second phase with 80 new commitments and a goal to become the world's most sustainable major retailer. This saw us integrate Plan A into our management processes enabling us to capture a significant business case.

And now we're entering the third phase, Plan A 2020. Still 100 commitments but there is a change of emphasis. Plan A 2020 is all about engagement, of our customers, our employees, our suppliers.

This is quite interesting because in 2007 they openly stated that the plan was to become carbon neutral within 5 years of the commencement of Plan A—because there is no Plan B. This was subsequently just changed to one of becoming carbon neutral in the UK. Seemingly *Alice Through the Looking Glass* (Carroll 1871) has become popular reading among business leaders!

### 5.3 The Motivation of Managers

In considering the way in which corporate reporting impacts upon managerial accountability it is essential to consider the motivations of managers (Crowther 2001). This paper therefore considers the motivations of managers in terms of psychoanalytic theory from the Freudian and Lacanian perspectives to consider the implications for managerial needs for individuation. It has been argued (Crowther 2002) that this drive for individuation leads to the managerial motivation for the usurpation of primacy and more specifically to the need for the myth creation part of corporate reporting.

The management of an organisation is often treated as a discrete entity but it is important to remember that this entity actually comprises a set of individuals with their own drives, motivations and desires. Thus every individual has a desire to fulfil his/her needs and one of these is self-actualisation (Maslow 1954). This need is the one at the top of Maslow's hierarchy of needs and consequently perhaps the one most considered in terms of motivation. The next two most important needs—the need for esteem (as reflected in self respect and the respect of others) and the need for love and belonging (as reflected in the need for being an integral part of a community)—are however more important for the understanding of the behaviour

of the members of the dominant coalition of management within an organisation. These two needs help explain why managers, in common with other individuals, need to feel important, skilled and essential to organisational performance.

A more suitable basis for arriving at a deeper understanding of the drivers of management behaviour, when considered from the point of view of the behaviour and motivations of individual managers of the organisation, is however based upon a psychoanalytic interpretation. Psychoanalytic theory was created initially by Freud but has been widely adapted by others. In a general sense such theory can be considered to be a theory of human emotional behaviour. An investigation of some of the major perspectives is necessary in order to understand the implications for managerial behaviour.

#### 5.4 A Freudian Analysis—the Drive for Individuation

In his psychoanalytic theory Freud (1984) argues that the real motivation for any act undertaken by a person may be disguised and not apparent even to the person who performs that act. Thus for Freud the underlying basis for identity, and therefore for an explanation of individual behaviour, was based in the unconscious. He argued that an individual's identity was based upon past experience which was largely unconscious and that behaviour was largely dependant upon an attempt to resolve the conflicts and motivations inherent in the unconscious (Freud 1975). Furthermore he stated (1976, 1977) that most aspects of identity are laid down in early childhood and that it is an attempt to integrate the various facets of childhood experience which leads a person to act in particular ways. Part of this conflict is based upon parental influence, which leads to the development within the child of the concept of the ideal self as the perfect being to strive to become in order to win parental approval. This ideal self is of course unattainable but adult life, and the actions undertaken by adults, is based upon an unconscious motivation to achieve this ideal self and thereby secure respect. This motivation has been expressed by psychoanalysts as the drive towards individuation and explains the continual need for reassurance and the gaining of both self-respect and the respect of others.<sup>7</sup>

This drive for individuation is manifest in different ways by different individuals and in different ways at different times by the same individual. It has been interpreted by Bettelheim (1976) as part of the search for meaning to life through the reintegration of the conscious and the unconscious (Bettelheim 1984). It has been described by Fromm (1974) as a battle between the opposing instincts of life and death or between the idealist and materialist strivings of the individual (Fromm 1980). For some people this can be reflected in a drive towards conformity as a means of escaping from the isolation of the self (Fromm 1957). In extreme circumstances this can result in a person resorting to madness by attempting to hold

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<sup>7</sup>Self respect is of course merely a mirror of the respect of others—see Lacan (1988).

what Laing (1961) describes as an untenable position. They can also result in paranoid behaviour through the dominance of feelings of guilt (Klein 1932) or in psychosis (Lawrence 1995).

All these arguments naturally have consequences for an individual which affect the behaviour of that individual. When these individuals are managers of an organisation they also naturally have implications for the organisation as well and Sievers (1994) has described this as leading to organisational psychotic behaviour. These interpretations of individual behaviour naturally apply to all people. As far as individual managers are concerned however the implication of these Freudian arguments is that managers are motivated by unconscious conflicts and desires which they seek to reconcile through acting out these conflicts as part of their desire for individuation. One way in which they can act out these desires which differs from other people is through their role within the organisation.<sup>8</sup> Furthermore these arguments imply that all individuals are anxious and insecure and seek to reduce anxiety and increase security through their actions. Thus the drive to reduce anxiety is manifest in the desire to seek confirmation of worth from others in order to increase self-esteem. Managers of large organisations are in a particularly powerful position to achieve this end through their actions as they are in a position to influence a large number of people. Employees of the organisation can be directly influenced by such managers but greater self-esteem can be gained from the respect of peers rather than subordinates.<sup>9</sup> Thus the respect of other managers in comparable positions in other organisations is particularly desirable as a means of reinforcing self-esteem.

One of the inevitable consequences of the insecurities surrounding a person's estimation of his/her own worth is that others in comparable positions are deemed to be more worthy than is oneself. Consequently it is argued that each manager deems other managers in other organisations as more worthy of respect than him/herself. Thus all managers are therefore seeking to compare themselves favourably with the other managers in other organisations, who are always deemed more worthy. One way to attract this respect is to surround oneself with the material trappings of success. As far as the manager in the organisation is concerned this can be interpreted as such things as salaries and bonuses, share options, cars, chauffeurs and company planes. Another way to achieve this favourable comparison however is to earn the respect of the owners of the business, in other words the shareholders—or more specifically the respect of the major shareholders, City analysts and investors. The continual online reporting provides a mechanism for earning this respect of others through the creation of the appropriate semiotic. This semiotic is

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<sup>8</sup>This is because they have, through their positions within organisations, power to affect the behaviour of others which is not available to the average person. This power is what makes possible the psychotic behaviour described by Sievers (1994).

<sup>9</sup>This is an extension of the conspicuous consumption thesis (Veblen 1899) whereby the consumption of the respect of others gives one status in proportion to the importance of others because of the ascribed cultural capital (Bourdieu 1984) thereby acquired. Thus the more important the person who gives respect the greater one's self esteem is bolstered.

of course one of success—but more particularly of success at a particularly difficult task. The provision of performance information over the web gives an opportunity to inform more people of the success of those managers in their task<sup>10</sup> and thereby to enhance the semiotic of success and consequent self-esteem!

## 5.5 The Lacanian View—the Reassertion of the Individual

Since the development of psychoanalysis by Freud, critiques of this theory have been prevalent in the discourses of social theory and of Marxism. Indeed the intertwining of Marxist and Freudian theory as a means of understanding organisational behaviour and the distribution of power within society is a recurrent theme within many discourses. Thus for example Marcuse (1956) argues that rather than the foundations of civilisation being built upon the subjugation of human instincts in the assuagement of guilt it is instead built upon the way in which power is distributed and the consequent suppression of labour. Similarly Habermas (1971) argues that Freudian psychoanalysis is based upon the voluntary self-deception of individuals as part of their anxiety reducing mechanisms; moreover he argues that corporate organisations are also involved in this deception. Baudrillard (1993, 1999) is equally critical of psychoanalysis.

Possibly the most significant critique of psychoanalysis has been undertaken by Lacan who developed an alternative interpretation of Freudian theory which has permeated popular culture, while at the same time providing a basis for an understanding of the role of managers as individuals in the development of the semiology of corporate reporting. Lacanian interpretations incorporate both structuralist and post-structuralist arguments to extend the value of Freudian theory. Its limitations from this perspective can be encapsulated in the work of Harris (1979) who stated that the Freudian attempts to understand pan-human psychodynamic processes were sufficient to understand and explain the similarities but not the differences in such processes.

Lacan argues that the formation of the ego is concerned with a fascination with one's own image. For him the external world merely represents a mirror upon which the self is displayed and the concern of the individual is to create a reflection in this mirror. This reflection must of course support that person's desire to see the most flattering reflection, but in such a way that it appears as reality. This is brought about by every person's inherent insecurity and seeking for the ideal self (Lacan 1977, 1988, 1991) and thus every action which a person undertakes is derived from this motivation. It is accepted however that this motivation may not be overt and may not even be recognised by the individual him/herself. Like Freud therefore Lacan accepts that an individual's motivation may not be transparent even to

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<sup>10</sup>Equally it can be used to show that failure is not because of managerial inadequacy but rather extraneous factors such as poor weather.

him/herself but nevertheless that motivation becomes inseparable from the actions undertaken, and those actions have a motivation which is based upon the seeking of personal individuation.

This motivation applies to every individual but some, almost inevitably, have more scope for playing out their individuation drive upon the mirror of the world. In this respect the managers of any organisation have a large mirror to act upon, with this mirror being the organisation which they can shape, either consciously or unconsciously to their needs. Thus a manager, in producing the corporate reporting script, is attempting through the creation of that script to represent him/herself to the external world and to make that representation reflect him/herself as (s)he would wish to appear. That wish is of course to appear as a highly competent and capable person and the more difficult the activity in which (s)he is perceived to be engaged the closer that image relates to the ideal self. Thus the creation of the dialectic in the management of corporate affairs, between managing financial performance and managing environmental performance, leads to an enhanced image of the author as a competent and capable person. If this image is accepted by the readers of the script then, because the author determines and perceives his/her identity from viewing it upon the mirror of the world, the author also can accept this image. Thus the creation of an appropriate semiotic is essential to the individuation process and to the creation of the desired self-image.

That wish is of course to appear as a highly competent and capable person and the more difficult the activity in which (s)he is perceived to be engaged the closer that image relates to the ideal self. The managers of an organisation are of course not unique in having these motivations driving their behaviour (Bettelheim 1976). They are present in all of us and consequently form one of the underlying themes of individual existence and organisational behaviour (Mitroff 1983). The managers of an organisation are however unique in that their position within the organisation gives them the power to act out these motivations through the creation of the myth of their necessity. The creation of the corporate reporting script provides one mechanism for the creation and reinforcement of this myth of their necessity as individuals to the future of that organisation. The opening up of this script to greater scrutiny, via online reporting, has the potential to further reinforce this myth and providing a bigger mirror for image reflection while at the same time posing certain dangers. Thus this increased openness to scrutiny provides an opportunity for greater social grooming of the self through increased exposure. At the same time it provides an opportunity for self-reflection and surveillance as well as increasing the opportunity for surveillance by others. This can enhance self-esteem but only if the feedback received, from the self as well as from others, is positive (see Crowther and Seifi 2015). The danger is that this feedback might not be positive and one of the problems of online scrutiny is that feedback is, by implication if not directly, invited in a much more immediate manner and by a much wider range of stakeholders, thereby increasing the likelihood of critical feedback. Thus the reflection in the Lacanian mirror may not necessarily be the one which managers will wish to see. This makes the myth creating role of performance reporting of much greater significance to managers.

## 5.6 Myth Creation and Corporate Reporting

The myth creation role of corporate reporting has several aspects but one aspect is the creation of the myth of the unified whole (Crowther 2002). As Nietzsche (1956: 156) states: 'Only a horizon ringed about by myth can unify a culture.' One of the purposes of the corporate report therefore is the creation of the myth of the unified culture—in other words the common cultural bond of identity between the authors of the script and the audience (Crowther, Cooper and Carter 2001). This is achieved by the creation of a symbolic order which is an autonomous order of reality independent of the things symbolised (Jenkins 1979). The myth itself is a symbolic form (Brandist 1997) which assumes a life of its own. As Cassirer (1955: 5–6) states the specificity of myth lies not in its content but rather in 'the intensity with which it is experienced, with which it is believed—as only something endowed with objective reality can be believed.'

Thus myth has the power to present a single viewpoint as directly expressive of the existence of the organisation, which consequently exists in the form presented in the annual report. The corporate report as myth therefore provides an authoritative discourse about the organisation, demanding acceptance (Bakhtin 1981). Thus the corporate report replaces the organisation itself as the real through this power assumed from its myth creation role and the organisation becomes in the minds of both the readers and the authors (through the reflective quality of the readership) that which is presented through the corporate reporting mechanism. The concept of the corporate report can therefore be considered to have attained a life of its own through the resurrection of the myth of its origin and authenticity. It can therefore be considered to have attained hyperreality through becoming more real than reality (Baudrillard 1981). The promulgation of that reporting via the internet increases that sense of hyperreality by making the myth omnipresent but runs the danger that the myth is subverted by the critiques of the shareholders. This is evident in the protest sites which exist associated with organisational activity (see Crowther 2000).

In addition to the myth creation role of corporate reporting for the individual organisation, Campbell (1949) argues that all myths have an underlying commonality which transcends the individual myth. Thus as far as corporate reporting is concerned the common elements can be seen in the common format of such reporting, the common style and the use of common language—natural, accounting and non-linguistic—to provide a unified myth concerning corporate reporting as the authoritative discourse of organisational existence and activity.<sup>11</sup> Thus the history of organisations unfolds through this corporate reporting (Campbell 1976) but unfolds in a manner which is common to all organisations and can therefore be depicted as universal and immutable. This unfolding of history can be seen from the

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<sup>11</sup>It is recognised of course that legislation and GAAP requires a considerable element of this commonality but it is argued that this is subsumed within the image creation requirements of corporate reporting.

development of corporate reports over time (McKinstry 1996) but the mythical role of such reports ensures that, although the image of the organisation changes with the development of corporate reports (Preston, Wright and Young 1996), the image of the organisation remains immutably fixed in the present.

The creation of the myth of organisational existence is an essential step along the road to the creation of the religion which binds the organisation together (Malinowski 1962) and this religion becomes manifest in the rituals of organisational behaviour. One further purpose of myth creation in this context is the reinforcement of organisation boundaries, and hence the restatement of organisational existence. Corporate reporting can be considered as a myth creation mechanism for the redefinition and reinforcement of organisational boundaries which are in reality obsolete for performance determining purposes. External reporting serves the function of providing a statement to the external world that the organisation exists as a discrete entity and the production of the annual report actually is designed to fulfil this role. This statement is reinforced through the web presence of the statement of organisational existence and activity. Moreover the design of this reporting is carefully considered to make a statement not just that the organisation exists but also to create an image of that organisation—and its managers as omnipotent and omniscient. Thus over time such reporting has become more and more full of information, statements from the chairman and others, and pictures of organisational activities, designed to give to the reader the impression that this is an organisation to be interested in, with a dynamic present and an even more interesting future. In doing so the opportunity for the social grooming of the managers involved is increased.

Despite the assertions of Norris (1990), language creates reality which then becomes truth. Thus, as Barthes (1988) claims, meaning is not in the linguistic structure of a message but in the image created by the recipient of the message. Accounting by its nature creates an image of the organisation, the decision making within the organisation and the future of that organisation. This is achieved though the use of the language of accounting and the perceived certainty attached to that language. One of the purposes of such external reporting is to continually recreate the myth of organisational existence as certainty in the uncertain world. This certainty is of course a myth and one important function of accounting therefore is to act as a myth creation mechanism for the organisation as a statement of organisational existence as immutable.

One of the purposes of myth making is to remove temporality from the perception of the onlooker (Levi Strauss 1966), who in this case is an external consumer of the information supplied by the organisation. Removing temporality has the effect of conflating the past and present into the present and to make this present contiguous with the future. In doing so the uncertainty of images made through accounting, from one period to the next, is disguised within the omnipresent organisational myth based upon the eternal present. Rationality and predictability through using accounting information within the metanarrative myth of organisational immutability therefore seems reasonable within any discourse of organisational reporting. This removal of temporality has the concomitant effect of focusing



upon spatiality. As far as spatiality is concerned the organisation seeks to create the myth of itself as omnipresent through the attention given to both the local and the global aspects of organisational existence. This is achieved through the use of appropriate text and image.

In this manner synchronicity and diachronicity are conflated and subsumed within the myth. Likewise the past is removed in favour of the eternal present and better future as the organisation signals its existence and importance through this mythical role of corporate reporting. The use of the internet for reporting reinforces this elimination of the past in favour of the present and future because the reporting sites are designed to eliminate the archiving facility, important for accountability (Derrida 1996), and so only the present is shown, continually changing. This is one mechanism by which managers can reduce the critical gaze of stakeholder accountability and reintroduce their own agenda of self worth.

This myth of organisation importance is naturally of concern to the authors of the text. If the organisation is important then, by implication, those managing the organisation, i.e. the authors of the script, must also be important. As Barthes (1988) claims, meaning is not in the linguistic structure of a message but in the image created by the recipient of the message. The form of corporate reporting is designed, almost inevitably, to create an image of the importance and permanence of the organisation and hence of those managing that organisation. This therefore explains the increased dominance, not of factual and quantitative information, but of messages from members of the dominant coalition managing the organisation and particularly the chairman, managing director and increasingly other powerful members of the management team. This message is designed to indicate the need for the organisation to exist as a discrete entity, defined through the reinforcement of the organisational boundary and reinforced through the production of appropriately constructed corporate reports. At the same time such reports demonstrate just how necessary those members of the dominant coalition are to maintenance of the organisation and to its future. The language of the statements from these people tends therefore to be used as a device for corrupting thought (Orwell 1970) through being used as an instrument to prevent thought about the various alternative realities of the organisation's existence, in terms of the multiple representations of the organisation which are apparent through the use of the technology of accounting.

In binary opposition to myth as far as corporate reporting is concerned is ritual. For an individual, ritual is an essential part of personality integration—a process of becoming whole (Perls 1975). Rituals therefore are steps along the way to completion of the whole (Beit-Hallahmi and Argyle 1997). So too for organisations are rituals steps to be completed along the way to wholeness. In the case of the organisation however the integration needed is not that of parts of the organisation but that of the various people involved in the organisation into a unified whole.

One of the purposes of such ritual behaviour is to remove spaciality from the discourse of organisational activity and to focus attention upon the temporal dimension. Thus organisational existence is legitimated in this manner as a temporal sequence proceeding from one rite of organisational existence to the next in a smooth flow of routinised ritual activity. Thus in the corporate reporting managers

both signal that the organisation is moving forwards to better times but also signal themselves as the instigators of this progress. This is achieved through the language of the report which clearly sends the message that they are the decision-makers for the organisation. At the same time it signals that their knowledge enables them to make the best decisions on behalf of the other stakeholders, who merely accept the received wisdom of the managers.

A psychoanalytic perspective upon corporate reporting, particularly within the context of the motivations of the authors of the script is of considerable value in developing an understanding of such reporting. Thus it has been argued in this paper that this provides a motivation for managerial behaviour as manifest in their activities as authors of the corporate reporting script. When accountability was manifest only through the auditing of the activities of the organisation on an annual basis, through the vehicle of the corporate report then accountability was to a limited number of stakeholders and to a limited extent. Online reporting has made auditing and accountability become more immediate and to a greater range of stakeholders. This has created the opportunity for stakeholders to have a greater involvement in the activity of organisations and has thereby increased the accountability of managers. At the same time, however, it has increased the scope for managers to engage in social grooming and to seek individuation through such reporting, and its audit, while making such auditing both instant and transient.

## 5.7 Conclusions

Whatever terms are adopted it is clear that CSR has entered the lexicon of corporate activity and continues to be prominent in that activity and continues to evolve (Seifi and Crowther 2011). We have argued in this paper that theorising must also evolve to keep up with practice. In other words we consider that theorising is not simply about monitoring what has happened with reference to the past. It is more about developing predictive ability for the future. Thus it has been argued that CSR is a simulacrum which has adopted the guise of reality through its acceptance within management discourse. As such the appearance of reality has become more important than its actuality. As Baudrillard (1996) states of the replacement of reality with simulacra:

This is the story of a crime—the murder of reality. And the extermination of an illusion—the vital illusion of the world. The real does not disappear into illusion; it is illusion which disappears into integral reality..... Though the crime is never perfect, perfection, true to its name is always criminal..... But perfection is always punished: the punishment for perfection is reproduction. (pp. 1–2)

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**Part II**  
**Developing Sustainability**

# Chapter 6

## Determinants Which Influence Purchase Behaviour of Energy Efficient Household Appliances in Emerging Markets

The Ninh Nguyen

**Abstract** This chapter provides important implications for policy makers and organisations trying to improve environmental sustainability by encouraging energy-efficient behaviours in an emerging market. Increasingly energy consumption has been identified as the major driver of many serious environmental issues that threaten the planet and social welfare. Promoting the manufacture and consumption of energy-efficient products is therefore of utmost importance. In this regard, investment in energy-efficient products appears to offer the greater potential for energy conservation compared to energy curtailment. The study presented in this chapter investigates determinants that may encourage or hinder consumers' purchases of energy-efficient household electrical appliances. Structured questionnaires were administered to over 600 consumers, who visited busy electronics and appliance specialist stores in two major cities in Vietnam. The data analysis revealed that consumers' purchases are facilitated by their knowledge of energy-efficient electrical appliances, environmental attitudes and moral norms. In contrast, the customers' perceived barriers that impede purchase of these environmentally sustainable products relate to affordability, the extra effort involved in finding suitable products, as well as the credibility of energy-efficient rating labels. These findings would facilitate the development of recommendations for policy makers, environmental organisations and social marketers engaged in the promotion of the usage of energy-efficient products.

**Keywords** Environmental responsibility • Purchasing behaviour • Energy-efficient products • Personal norms • Vietnam

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## 6.1 Introduction

The growing awareness that climate change and its detrimental impacts are driven by human action has led to the prominence of environmental sustainability and recognition of the urgent need to promote more sustainable consumption (Seifi et al. 2012). Energy consumption is the main cause of climate change and air pollution (IEA 2016). Energy management is, therefore, an important corporate social responsibility dimension (de Bruijn 2010) and energy efficiency is an imperative concern (Zhou and Bukenya 2016). Households are a key contributor to green-house gas emissions (Niemeyer 2010) and an increasing amount of research investigates domestic energy consumption behaviour (Andrews and Johnson 2016). Much of this focuses on energy-efficient appliance purchase in developed markets (e.g., Gaspar and Antunes 2011; Niemeyer 2010; Pothitou et al. 2016). Nevertheless, fewer studies relate to emerging markets, which are of particular interest given their economic significance (Greenland and Kwansah-Aidoo 2012; Paul et al. 2016) and fastest growing energy consumption rates (Keho 2016). As an illustration, Southeast Asia's energy demand in 2040 will be 80% greater than today's level (IEA 2016). Promoting energy efficiency in emerging markets is, therefore, essential (Keho 2016; UNEP 2014) and understanding determinants influencing energy-efficient behaviour is prerequisite to this. In this context, investment in energy-efficient products offers greater potential for energy conservation than energy curtailment (Olander and Thøgersen 1995; Stern and Gardner 1981).

This chapter contributes to the evolving literature by examining various factors that motivate and hinder consumers' purchase of energy-efficient appliances in Vietnam, which is an important market in Southeast Asia. Vietnam is typical of many emerging countries with a growing energy-dependent economy and an annual population growth rate of over 1.1%. In 2015, the Gross Domestic Product (GDP) was \$193.599 billion, and the Gross National Income (GNI) per capita was \$1980 (World Bank 2016). According to a report of the Vietnamese Energy Efficiency and Conservation Office (2012), energy demand will triple over the next 10 years, with electricity accounting for around 25% of total energy consumption in 2025. Data from the General Statistics Office of Vietnam (2012) reveals a growth in percentage of households owning refrigerators (10.9–49%) and air conditioners (1.1–9.2%) during the period from 2002 to 2012. Nevertheless, the majority of Vietnamese consumers do not recognise the impact of air conditioner use on global warming (Hori et al. 2013). Consequently, this country has experienced a doubling of carbon dioxide emissions over the past decade (World Bank 2016). Promoting energy conservation and consumption of energy-efficient products has, therefore, been a top priority in Vietnam's development agenda. In 2006, the Government initiated the Vietnam National Energy-Efficiency Program, which is the first complete plan to improve energy efficiency and conservation at the national level. Seven years later, the Prime Minister approved the National Energy Efficiency Standard and Labelling scheme for all lighting and selected appliances,



i.e. refrigerators, washing machines, air conditioners, rice cookers and cooling fans. These efforts are echoed by sustainable organisations and marketers that have engaged in environmental programs (e.g., Go Green, Earth Hour, Philips Vietnam's Power Saving Itinerary) and committed to supplying more energy-efficient products. Despite extensive efforts, Vietnamese consumers still feel that there is no system to support sustainable behaviour (De Koning et al. 2015). In addition, whilst energy-efficient products are perceived as being too expensive, consumers generally distrust energy rating labels owing to companies' misuse of eco-labels and lack of transparency (De Koning et al. 2015). Relatively low level of knowledge about energy-efficient products is also a barrier to consumer purchase (Nguyen et al. 2016a). Despite the infancy stage of green purchase, Vietnam is considered as a potential market for energy-efficient appliances because of its population exceeding 92 million and skyrocketing electricity prices (Euromonitor International 2014; General Statistics Office of Vietnam 2015). The research findings are, therefore, used to suggest recommendations for the design of appropriate programs and incentives to promote consumer purchase of such products—the effective design of these have been identified as a further gap in the literature (de la Rue du Can et al. 2014).

The remainder of the chapter is structured follows. The detailed literature review, model and proposed hypotheses are initially discussed. Subsequently, the research method is described followed by a comprehensive discussion of key findings and implications of the study. Finally, the conclusion and future research directions are presented.

## 6.2 Literature Review and Hypotheses Development

### 6.2.1 Knowledge

Knowledge has been widely considered as a key driver of green consumption, including energy efficiency and conservation behaviour (Ellen 1994; Steg 2008). Extant literature has described environment-related knowledge as what people know about the natural environment, environmental issues, environmental consequences of consumption behaviour, as well as eco-friendly products (Mostafa 2007; Peattie 2010). The authors, the likes of Kozar and Connell (2013) and Levine and Strube (2012) confirm a positive relationship between environmental knowledge and environmentally responsible behaviour. Pothitou et al. (2015) demonstrate that greater knowledge of energy savings tends to manifest in the purchase of energy-efficient equipment. Furthermore, Tanner and Kast (2003) reveal that knowledge related to green purchase is positively correlated with actual purchase behaviour. Hence the following hypothesis has been formulated:

H<sub>1</sub>: Consumers' knowledge about energy-efficient appliances positively influences their purchase behaviour.

### **6.2.2 Environmental Attitudes**

Environmental attitudes consist of general attitudes denoting judgements about general environmental problems and specific attitudes describing a set of beliefs about certain types of eco-friendly products or behaviours. Recent research has found that consumers with environmental attitudes are more likely to demonstrate pro-environmental behavioural intention and actual behaviour (e.g. Cabuk et al. 2014; Mills and Schleich 2012; Tanner and Kast 2003). Overall, consumers who perceive that pro-environmental behaviour is important for environmental protection and who are concerned about environmental consequences associated with purchase behaviour are likely to purchase eco-friendly products (Barbarossa and De Pelsmacker 2016; Follows and Jobber 2000). Ha and Janda (2012) found that consumers who have positive environmental attitude towards energy-efficient products are more likely to purchase the products. Hence, the following has been hypothesised:

H<sub>2</sub>: Consumers' environmental attitudes associated with the purchase of energy-efficient appliances positively influence their purchase behaviour.

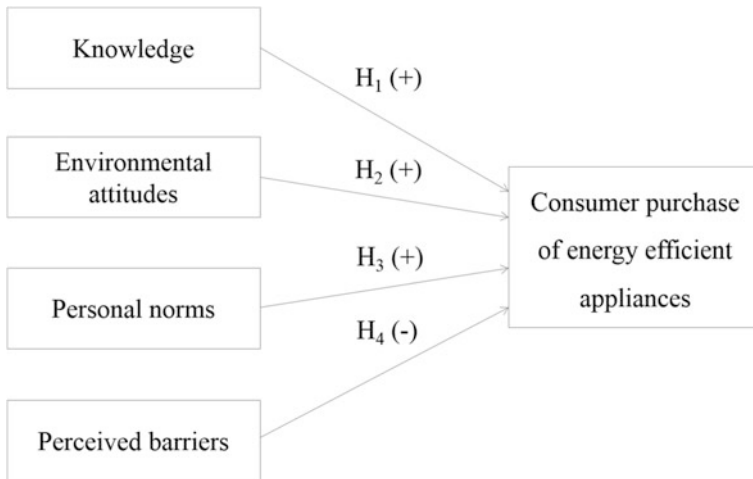
### **6.2.3 Personal Norms**

Personal norms, which represent expectations and obligations that are internalised and anchored in the self (Schwartz 1977), are the main facilitators of pro-environmental behaviour, including purchasing products with favourable environmental impact (Minton and Rose 1997). Consumers are increasingly aware of environmental consequences and may feel personally and morally obliged to act in an environmentally friendly manner (Stern 2000; Thøgersen 2006). A consumer survey conducted by Barbarossa and De Pelsmacker (2016) reveals that moral obligation to act in an environmentally friendly manner positively influences consumer purchase of eco-friendly products. Nguyen et al. (2016b) point out that consumers felt personally obliged to perform conservation behaviour, and that they felt guilty if they wasted energy and water. Likewise, Van der Werff and Steg (2015) confirm a positive relationship between personal norms and various energy-saving behaviours. Hence, the following hypothesis has been developed:

H<sub>3</sub>: Consumers' personal norms associated with the purchase of energy-efficient appliances positively influence their purchase behaviour.

### **6.2.4 Perceived Barriers**

Environmentally responsible consumption often involves higher individual costs which constrain such behaviour (Gaspar 2013; Kollmuss and Agyeman 2002). Specifically, consumers may associate the purchase of eco-friendly products with



**Fig. 6.1** The proposed model for consumer purchase of energy-efficient appliances

higher price, lack of information, limited availability and extra effort (Gleim et al. 2013). A Swiss study conducted by Tanner and Kast (2003) shows that time pressures and the added time spent searching hinder consumers' green purchases. Wang et al. (2008) argue that consumers may consider energy-efficient products unreliable and hard to use. Similarly, Dianshu et al. (2010) posit that distrust in energy efficiency labels and product standards are barriers to energy efficiency in China. A recent Vietnamese research reports that Vietnamese consumers perceive a lack of ability and opportunity for sustainable behaviour, and they are particularly sceptical about energy-efficient products benefits and the energy rating labels. Hence, the following has been hypothesised:

H<sub>4</sub>: Consumers' perceived barriers associated with the purchase of energy-efficient appliances negatively influence their purchase behaviour.

The hypothetical relationships between constructs examined in the study are depicted in Fig. 6.1.

## 6.3 Research Method

### 6.3.1 Research Measures

The items used to operationalise the constructs examined in the study were selected and adapted from existing validated scales. Additionally, two focus groups, one in Hanoi and the other in Ho Chi Minh City, were employed for the purpose of generating possible new items, and for testing and adapting the existing validated

scales to the Vietnamese context. Specifically, two experienced researchers conducted the focus groups using a semi-structured interview protocol. The intention was to elaborate on the constructs in the proposed model and to elicit participants' knowledge, beliefs, norms, and barriers associated with the purchase of energy-efficient appliances. Following these deliberations with the focus groups, some items of the existing scales were modified.

In the proposed model, *knowledge* was operationalised using four items selected from Ha and Janda (2012) and the focus groups to elicit participants' familiarity and understanding about energy-efficient appliances, and specific knowledge on environmental benefits of the products. *Environmental attitudes*, reflecting the importance of energy-efficient appliances for environmental protection, were operationalised by adapting four items from studies performed by McCarty and Shrum (1994) and Tanner and Kast (2003). Five items measuring *personal norms* were adapted from studies by Barbarossa and De Pelsmacker (2016) and Steg et al. (2005) to evoke participants' feelings of responsibility and moral obligation relating to the purchase of energy-efficient appliances. Another four items for *perceived barriers* were also developed using Barbarossa and De Pelsmacker (2016) and Tanner and Kast (2003). These items sought the participants' perceptions on barriers to the purchase of energy-efficient appliances, such as higher price, extra time and effort, and poor energy labels. Lastly, self-report *purchase behaviour* was measured using the two items suggested by Li (1997) and Chan and Lau (2000), which seek participants' acceptance or commitment to actually purchasing energy-efficient household appliances.

All the items operationalising the constructs outlined above were measured using 7-point scales. To measure consumer knowledge, environmental attitudes, personal norms and perceived barriers, the scale was anchored at 1 for 'strongly disagree' and 7 for 'strongly agree'. To measure purchase behaviour, the scale was anchored at 1 for 'never' to 7 for 'always'.

### **6.3.2 Survey instrument translation and pre-testing**

The survey instrument was initially developed in English and then translated into Vietnamese. This translated version was developed by adopting the committee (team) approach, which incorporates interlinked process of translation, review and approval (Harkness et al. 2004). Two professional translators and two bilingual marketing professors were invited to join the committee. In the translation stage, the first translator performed the translation of the survey instrument from English to Vietnamese, and this Vietnamese version was then translated back into English by the second translator, who worked independently without being informed of the first translation. In the following revision sessions, the bilingual marketing professors reviewed the translations, and worked with the translators to discuss and reconcile discrepancies until agreement was reached on the most suitable version that ensured semantic equivalence. In the last stage, the two marketing professors

further cross-checked this version for ensuring the efficacy of the items and the scales used, and approved the version for pre-testing.

Pre-test of a questionnaire is an indispensable stage prior to data collection (Presser et al. 2004). For the study presented in this chapter, the purpose of the pre-test was to diagnose and eliminate potential problems associated with answering the questions and recording the data. Using the cognitive interviewing method (Presser et al. 2004), the researchers acted as facilitator in six in-depth interviews with participants who agreed to respond. These interviewees were different from those who participated in the focus groups mentioned above. Each participant was asked to complete the survey in the researchers' presence and then to verbalise their thoughts on key issues including the clarity of instructions, question wording, questionnaire layout and time to complete the survey (Bell 2010). Subsequent to the pre-test, several minor changes to the wording and layout of the survey instrument were made.

### ***6.3.3 Participants and Procedure***

The participants were Vietnamese citizens aged 18 years and above who had been involved in purchasing electrical appliances and had expressed interest in energy-efficient electrical appliances. This ensured that participants had a certain level of knowledge and interest relating to the product category, thus improving the power of the self-report method in predicting purchase behaviour.

Data were collected from eligible shoppers who visited busy electronics and appliance specialist stores in Hanoi and Ho Chi Minh City, which are located in the northern and southern regions of Vietnam respectively. According to the report of Euromonitor International (2014), such stores are the major distribution channels of household appliances in Vietnam, which accounts for over 81% of the sales volume. Trained interviewers were stationed at these five stores to identify eligible participants and distribute the questionnaires. Shoppers were randomly selected by approaching every fifth person entering the stores. Participants who agreed to response received a small gift of stationery (e.g. pens, pencils, highlighters) in appreciation of their participation.

The data collection period in the stores lasted 4 months and a total of 703 completed surveys were completed. Subsequently, 13 responses were removed as they contained missing values. A further 8 responses were eliminated as being multivariate outliers. Hence, the final effective sample was reduced to 682 responses. This sample size yields a 95% confidence level with a margin of error of about  $\pm 5\%$  points (Zikmund 2003). Table 6.1 shows the demographic profile of the study's participants.

There were almost an equal number of males and females, whose ages were evenly distributed between the categories displayed, except for the 60+ group which was relatively small. Majority of the participants were married, and many were holders of academic degrees. Finally, majority of the them belonged to the middle income level. The overall demographic profile of the participants closely resembles the national profile data provided by the General Statistic Office of Vietnam (2012; 2014).

**Table 6.1** Demographic profile of participants

Gender	%
Female	50.7
Male	49.3
Age	
18–29	29.6
30–39	24.5
40–49	22.6
50–59	14.4
60 and above	8.9
Educational level	
High school or lesser	5.3
Professional degree	12.7
College degree	20.7
University undergraduate	45.2
Postgraduate	16.1
Household monthly income	
Under VND5,000,000	8.9
VND5,000,000–10,000,000	19.9
VND10,000,001–20,000,000	41.1
VND20,000,001–30,000,000	13.5
VND30,000,001–40,000,000	7.5
VND40,000,001–50,000,000	6.0
Over VND50,000,000	3.1

**Table 6.2** Descriptive statistics and reliability analysis

Construct and items	Mean	SD	$\alpha$
Knowledge	3.83	1.05	0.812
Environmental attitudes	4.90	1.05	0.814
Personal norms	4.60	1.10	0.858
Perceived barriers	3.24	1.03	0.819
Purchase behaviour	4.92	1.18	0.729

## 6.4 Data Analysis

### 6.4.1 Reliability Analysis

The reliability of measurement was assessed by evaluating the Cronbach's Alpha, which measures internal consistency of reliability (Hair et al. 2010). As suggested by Allen et al. (2014), a Cronbach's Alpha above 0.7 is considered acceptable for most research objectives. Table 6.2 shows that the Cronbach's Alpha for constructs ranged from 0.729 to 0.858. Also, all corrected item-to-total correlations were

**Table 6.3** Results of correlation and multiple regression

Variables	Correlation with purchase behaviour	Multiple regression	
		<i>B</i>	$\beta$
Knowledge	0.511**	0.275***	0.245
Environmental attitudes	0.471**	0.225***	0.200
Personal norms	0.387**	0.089**	0.083
Perceived barriers	-0.665**	-0.567***	-0.494

Note \*\*\* Significant at the 0.001 level; \*\* Significant at the 0.01 level

greater than 0.5. Hence, it is reasonable to assume that all the measures had good internal consistency of reliability (Allen et al. 2014; Churchill 1979).

### 6.4.2 Hypotheses Testing

Bivariate correlations were first computed to analyse the proposed relations between the variables. Next, a multiple regression was done to investigate the relative impact of the four predictors on purchase behaviour. The results of the analysis are presented in Table 6.3.

The Pearson's correlation coefficients confirmed significant associations between consumers' purchase of energy-efficient appliances with the four determinants, i.e. knowledge, environmental attitudes, personal norms and perceived barriers. The multiple regression analysis showed that knowledge ( $H_1$ ), environmental attitudes ( $H_2$ ) and personal norms ( $H_3$ ) had a significant positive influence on purchase behaviour. By contrast, perceived barriers ( $H_4$ ) exerted a negative impact on consumers' purchase of energy-efficient appliances. Hence, all the hypotheses are supported. In combination, the four predictors explained a significant 58% of the variation in purchase behaviour,  $R^2 = 0.579$ ,  $F(4677) = 138.3$ ,  $p < 0.001$ . Among the three facilitators, the standardised regression coefficients revealed that knowledge ( $\beta = 0.245$ ) exerted the strongest influence on purchase behaviour, followed by environmental attitudes ( $\beta = 0.200$ ) and personal norms ( $\beta = 0.083$ ), respectively. Furthermore, perceived barriers ( $\beta = -0.494$ ) extensively reduced consumers' purchase behaviour.

## 6.5 Discussion and Implications

As the vast majority of prior research has been conducted in Western developed countries, this chapter enhances current knowledge about pro-environmental behaviour and energy-efficient behaviour in emerging markets, which are major culprits' in terms of degrading the global environment and its resources (Sonnenberg et al. 2011). The findings presented in this chapter are essential for

various stakeholders including policy makers, environmental organisations, social marketers and consumer appliances enterprises. As Vietnamese consumers still favour foreign brands over local products the findings would particularly benefit international consumer appliances players, who are interested in entering Vietnam or expanding their current market share. Specifically, the findings can assist policy makers and sustainable campaigners in enhancing the effectiveness of their policies and programs, and enterprises in developing efficient strategies and marketing campaigns to increase consumer demand for energy-efficient appliances. Consequently, the ultimate beneficiaries will be the consumers as it will result in improvements in the environment and choice of green product offerings.

The findings reveal that all the four predictors significantly influenced consumers' environmentally responsible purchase behaviour, which demonstrates the complexity of benefits and motivations associated with environmentally responsible behaviour (Lindenberg and Steg 2007; Moisander 2007). Whilst knowledge, environmental attitudes and personal norms significantly motivated the purchase of energy-efficient appliances, consumers' perceived barriers impeded such behaviours. The fact that knowledge and environmental attitudes were the strongest facilitators of environmentally responsible purchase behaviour supports and extends the findings of studies by Ellen (1994), Ha and Janda (2012) and Levine and Strube (2012). Education and communication programs should therefore aim to increase consumers' knowledge about eco-friendly products including energy-efficient appliances, and their beliefs about how the consumption of such products is important for environmental protection.

Interestingly, although personal norms were a motivator of the purchase behaviour, they played the least important role. This is in line with earlier finding of Nguyen et al. (2016b) that moral obligation had the least influence on Vietnamese consumers' conservation behaviour. Policy makers and sustainability campaigners should arouse consumers' feelings of moral obligation and responsibility to reduce energy consumption and purchase energy-efficient appliances through informational programs that emphasise the severe consequences of overconsumption of energy for the environment and society.

The above-mentioned programs can be delivered via various channels including print, broadcast and online media. Given increasing number of Internet users in Vietnam, websites and social media should be particularly utilised. In addition, in-store staff should act as effective communication channels that are able to provide honest and clear information about various energy-efficient products for consumers.

Perceived barriers were found to significantly reduce consumers' purchase of environmentally friendly products. This finding echoes those of Barbarossa and De Pelsmacker (2016) and Wang et al. (2008). Specifically, consumers perceived the purchase of energy-efficient appliances as involving extra effort, higher prices, poor label information and greater inconvenience. Therefore, it might be desirable for the Government to introduce incentives for both suppliers and consumers. Whilst supplier incentives may include R&D tax incentives, technology transfer agreement and other discount deals, consumer subsidies may consist of rebates and finance



options for major household appliances. Governments should also introduce laws in relation to the display of authentic certification and labelling of energy-efficient appliances. Marketers should endeavour to facilitate greater convenience in relation to the purchase of energy-efficient appliances. In this respect, both manufacturers and retailers should promote consumers' awareness about energy-efficient products and energy rating labels through their communication programs and in-store sale staff. Furthermore, electronic and appliance retailers could make it easier for potential consumers seeking energy-efficient appliances by providing more clear and attractive signage at the point of purchase, and by also providing more accessible shelving.

## 6.6 Conclusion and Future Research

This chapter improves the understanding of various determinants influencing consumers' purchase of energy-efficient products. Furthermore, given the paucity of knowledge relating to pro-environmental behaviour in developing countries (Ramayah et al. 2010), this chapter addresses the identified literature gap by focussing on the Vietnamese context. The potential beneficiaries of this research include consumers as well as those interested in understanding the drivers of sustainable consumption including various stakeholders in Vietnam and other emerging markets, and international governments and agencies.

The study presented in this chapter was undertaken with Vietnamese shoppers inside electronics and appliance stores, who had or were contemplating purchasing energy-efficient appliances. Perhaps future research might want to only interview respondents following an actual purchase, rather than targeting those who are merely browsing in-store, which would provide better understanding of consumers' actual purchase of eco-friendly products. Future research could also investigate whether the model stands up to scrutiny in other emerging markets like Malaysia, China and India. Additionally, it would be beneficial to investigate changes in consumers' attitudes and norms, and their influence on purchase behaviour of energy-efficient appliances over time by conducting a longitudinal study.

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# Chapter 7

## Improving Agricultural Water Sustainability: Strategies for Effective Farm Water Management and Encouraging the Uptake of Drip Irrigation

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**Abstract** This research makes an important contribution by offering recommendations for sustainable water management farming approaches. Businesses, both national and multinational, are coming under increasing scrutiny with regard to social responsibility and their compliance in adopting practices that promote social and environmental well-being. Effective water management and the supply of fresh drinking water is a critical concern, which often conflicts with water supply for industrial or commercial purposes. The practices adopted frequently determine levels of environmental degradation, as well as associated social and health risks. As illustration, farming is one of the largest commercial consumers of water and the irrigation methods used have considerable impact in terms of erosion, pollution and water resource depletion. However, adopting more sustainable farming practises often means breaking with tradition and learning new approaches. This study therefore investigates the barriers to farmers adopting drip irrigation in Australia. Drip is widely regarded as one of the most environmentally sustainable irrigation approaches and Australia faces among the most extreme water stress environments. The research involves in-depth interviews with various water management stakeholders, including 146 farmers, regarding the perceived barriers to the uptake of drip irrigation. Our findings show that farmers most commonly reject drip irrigation for reasons relating to perceived costs and suitability, as well as installation and maintenance challenges. The influence of government policies towards promoting and supporting particular irrigation methods should also not be under estimated.

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Such understanding should facilitate the development of effective education and communication programs to improve the uptake of drip.

**Keywords** Agriculture · Water · Sustainability · Environmental responsibility · Irrigation · Stakeholders

## 7.1 Introduction

Businesses, both national and multinational, are coming under increasing scrutiny with regard to social responsibility and their compliance in adopting practices that promote social and environmental well-being. Effective water management and the supply of fresh drinking water is a critical contemporary concern and one which often conflicts with water supply for industrial or commercial purposes.

*“Access to clean water is fundamental to human health and a priority for sustainable development. Yet, almost 1 billion people lack access to safe drinking water and 2 million annual deaths are attributable to unsafe water, sanitation and hygiene.”* (World Health Organization 2015, p. 19).

The water management practices adopted by businesses and organisations frequently have a negative impact on environmental degradation, as well as associated social and health risks. As the major consumers of water, businesses and industry therefore have a critical role to play in global water sustainability and as Lambooy (2011, p. 852) indicates *“companies are expected to bear responsibility for their impact on water resources, in particular when it influences public access to water in areas with freshwater scarcity and/or weak government”*.

Farming is the largest commercial user of water, accounting for 70% of global freshwater consumption. Agriculture therefore has the greatest relevance to water scarcity (Food and Agriculture Organization 2012, p. ix.) and the irrigation methods used have considerable impact in terms of erosion, pollution and water resource depletion. It has been estimated that, by 2050, without improvement to current agricultural practice, the volume of water evaporated during crop production will almost double from today's levels (Comprehensive Assessment of Water Management in Agriculture 2007). Agricultural water management practice is therefore an important environmental corporate social responsibility issue and encouraging the adoption of more effective irrigation methods is of paramount importance.

This chapter therefore considers the barriers that inhibit farmers from adopting more effective, sustainable water management practices. Australia, which endures among the most extreme water stress environments, is presented as a case study for this purpose and the wider global implications of the study findings are considered.

The chapter initially presents background information on CSR, environmental responsibility and discusses drip irrigation and water sustainability in both a global and Australian agricultural context. A review of the literature concerning the adoption of sustainable practises in farming and drip irrigation is then provided. In

this review the key factors affecting the adoption of innovative farming practises such as drip irrigation are given particular emphasis. Primary qualitative research conducted with various Australian agricultural stakeholders is then presented and discussed. The research involved in-depth interviews with various water management stakeholders, including 146 farmers. Following a description of the methodology, top-line findings from the interviews are presented. Recommendations for sustainable water management are developed from an examination of the factors determining farm irrigation method selection. The focus is, in particular, on the barriers that prevent the adoption of drip irrigation, which is widely regarded as one of the most environmentally sustainable irrigation approaches, but is not currently as widely adopted as it might be in Australia.

The findings illustrate that adopting more sustainable irrigation practices often means breaking with tradition and learning new approaches. The analysis and discussion show that farmers most commonly reject drip irrigation for reasons relating to perceived costs and suitability, as well as perceived challenges associated with installation and maintenance. The influence of government policies towards promoting and supporting particular irrigation methods should not be under-estimated. Recommendations for effective education and communication programs in Australia are made to improve the uptake of drip irrigation and the wider relevance of these recommendations for agriculture globally is considered.

## 7.2 CSR, Environmental Responsibility and Water Sustainability

Corporate Social Responsibility (CSR) has a relatively long history in the business enterprise arena. Some authors trace the emergence of ‘social responsibility’ back to the Industrial Revolution (Carroll 2008). However, there has been some debate as to whether the ‘social responsibility’ of those times was merely a ‘profit maximisation strategy’ rather than actually being corporate reciprocation of benefits that society provided to businesses (Carroll 2008). The major developments in CSR took place in waves, covering several periods of about a decade from around the 1950s. In the 1990s, a number of business enterprises emerged as leaders in the field of CSR demonstrating that taking an appropriate approach to stakeholders enabled the business to prosper. Over the last three decades, there have also been significant related developments, in particular, the publication of “*Our Common Future*”, the report of the Brundtland Commission (1987) that addressed the issue of sustainable development, in which the Commission defined sustainable development as “*development that meets the needs of the present without compromising the ability of future generations to meet their own needs*” (Brundtland et al. 1987, p. 11). This was accompanied by the move by businesses and their stakeholders towards triple bottom line accounting that reported on the financial performance, the social performance and the environmental performance of the firm (Hall 2011).

Environmental responsibility is regarded as an integral part of CSR (Orlitzky et al. 2011) and the term environmental corporate social responsibility (ECSR) is becoming more widely accepted (e.g. Lioui and Sharma 2012). The many serious environmental problems wrought by human activity (IPCC 2014; UNEP 2015) are a key ECSR concern. Climate change, for example, in conjunction with the need to feed a growing global population, is exacerbating problems of water sustainability in many regions. Water scarcity is an increasingly significant problem that affects one in three people on every continent (World Health Organisation 2010) and by 2025, two-thirds of the global population is likely to face water shortages (World Wildlife Fund 2016). As the largest commercial user of water agriculture has a critical ECSR role to play. Traditionally, farmers, growers and horticulturists have not been viewed in the same way as other business enterprises; however, such primary industries are businesses and it is not unreasonable to include them with their business enterprise counterparts when assessing CSR, sustainable development and triple bottom line accounting. In particular, it is reasonable to expect farmers and growers to engage with sustainable farming practices, particularly in relation to water sustainability, as part of their corporate social responsibility. Climate change and increasing drought frequency means that, globally, the volume of water used by agriculture is likely to become a more contentious issue in communities (Vollaro et al. 2015), which has encouraged governments and other key stakeholders to improve the efficiency of the irrigation infrastructure (O'Mahony et al. 2016). Clearly the adoption of appropriate, efficient and effective irrigation systems is, therefore, an important element for future sustainability.

### **7.3 Drip Irrigation, Australia and Water Sustainable Agriculture**

According to the World Health Organisation (2016) *drip irrigation is an important innovation in agriculture, after the invention of the impact sprinkler in the 1930s. It replaced flood irrigation. Drip irrigation or subsurface drip irrigation (SDI) uses permanently or temporarily buried dripper line or drip tape located at or below the plant roots. It is critical in areas where water supplies are limited.* (World Health Organisation 2016, no page number)

Drip irrigation affords greater water productivity and food security through targeted water application directly to the plants' roots, with minimal losses due to runoff or deeper percolation. In addition to helping growers adapt to climate change through more effective water conservation, the main benefits of drip irrigation include its potential to reduce labour, as well as significantly increasing production (Kalpakian et al. 2014). However, as Ward and Pulido-Velazquez (2008) indicate its use must be effectively managed to promote real water savings and avoid even greater volumes of irrigation water being used in the drive for higher yields and productivity.



A significant amount of the literature and research relates to drip irrigation. However, most of this investigates technical considerations and is viewed from the perspective of the producers of this innovative technology. Fewer studies have been conducted from the perspective of the intended users of the technology, namely the growers (Whittenbury and Davidson 2009). However, work that has examined barriers to the uptake of drip irrigation is consistent with the agricultural innovation diffusion literature. As an illustration, Kaplakian et al. (2014) also found that a lack of access to capital was the key barrier to the adoption of drip irrigation by farmers in Morocco.

Australia is a large and relatively dry continent with a current population of just over 24 million (Australian Bureau of Statistics 2016). The agricultural sector is frequently challenged by drought and water scarcity, and irrigation is required for huge areas. While drip irrigation is widely regarded as one of the most environmentally sustainable irrigation approaches, it is not the most widely used method in Australia. This chapter adds to the literature by investigating the barriers to the uptake of drip irrigation from the Australian growers' perspective.

## **7.4 Factors Affecting the Adoption of Innovative Farming Practise**

### ***7.4.1 Barriers to Innovation***

A review of academic and practitioner literature, together with government reports and websites offering advice on the choice of irrigation systems, revealed a number of barriers to the adoption of sustainable farming products and practices.

#### **7.4.1.1 Economic Barriers**

The primary barrier to adopting new products and practises within the agriculture sector is economic. In cases where the financial outlay is considerable, the benefits need to be convincing and long-term. However, once the economic benefits to adoption have been proven, changes in practices have been seen to occur rapidly (Lamm and Trooien 2003; Ayars et al. 2015). The economic dimensions include the cost of equipment and materials, as well as any additional labour costs and perceived opportunity lost in relation to productivity or yield. Affordability of the equipment in relation to initial outlay and where those funds might be obtained are also important considerations.

### **7.4.1.2 Information Barriers**

The availability of information about the product and the technology, as well as their economic benefits, also has an impact on the diffusion of sustainable farming practise. Formal infrastructure for the provision of technical support and information is therefore important. By way of illustration, in the United States of America drip irrigation failed to reach widespread adoption until proper technical support was established, which included specialists, dealers and support staff who were able to reinforce the benefits and functionality of drip irrigation to farmers (Ayars et al. 2015).

### **7.4.1.3 Cultural and Social Barriers**

In many cases, the most frequently chosen farming methods are driven by tradition and local custom and practice. In cases where a family has been farming in the same location for several generations, tradition has the advantage of being tried and tested. Tradition has often provided successful outcomes for the family, for many decades in some instances, and convincing the farmer that their approach to irrigating their crops should be changed requires very significant inertia and resistance to be overcome (e.g. Maunder 1972; O'Mahony et al. 2016).

The social infrastructure of the farming environment also has an impact on new product adoption. A farming subculture generally develops within farming types and regions, which influences farming styles. These developed norms can be difficult to change despite evidence of improvements being provided for new products. As a result, a key issue that needs to be overcome when introducing new products in the farming context relates to peer and community acceptance (e.g. Maunder 1972; O'Mahony et al. 2016).

## ***7.4.2 Agents of Change in Agricultural Practice***

The complexity of new agricultural systems and products means that effective communication and support are required at the early stages of adoption to ensure farmers and growers fully appreciate the innovation and that initial outlays (in terms of both finance and time) will be adequately rewarded. Several sources of information and agents of change are particularly important in this regard and include research, agricultural extension workers and social networks (e.g. Brudermann et al. 2013; Kaufmann et al. 2009).

### **7.4.2.1 Research**

Agricultural research components include government funded research, academic research, and research conducted by agriculture-related organisations.

In Australia state governments frequently engage in some form of agricultural research activity, although this has diminished over recent times. Two recent papers have been published on investment appraisal in relation to Australian use of drip irrigation (Wood and Finger 2006; Finger et al. 2008). The findings of one of these papers was positive towards drip irrigation the other less so.

An abundance of international academic research also addresses drip irrigation in agriculture. Almost without exception, this academic research presents a very positive picture of drip irrigation, both surface and subsurface. For example, a retrospective review of fifteen years of research on drip irrigation by a research institute in the US reported “...*these studies demonstrated significant yield and water use efficiency increases in all crops*” and “*Uniformity studies demonstrated that after 9 years of operation, SDI uniformity was as good as at the time of installation...*” (Ayars et al. 1999, p. 1). Another international review of both surface and subsurface drip irrigation concluded that: “*Subsurface drip provides a more efficient delivery system if water and nutrient applications are managed properly.*” (Camp 1998, p. 1353)

In Australia research has also been carried out by a variety of organisations that include a uniquely Australian entity, the Cooperative Research Centre (CRC), as well as University academic departments, Departments of Primary Industries and branches of the Commonwealth Scientific and Industrial Research Organisation (CSIRO). In the cases where drip irrigation was investigated, its efficiency and effectiveness were confirmed.

#### 7.4.2.2 Agricultural Extension Workers

Inertia and resistance to changing traditional farming practise has been widely recognised in both developing and developed countries, giving rise to the profession of the agricultural extension worker. The services provided by agricultural extension workers were legitimised in the United States in 1914 and assist farmers through educational procedures that improve farming methods and techniques, increasing production efficiency and income, as well as enhancing their living, social and educational standards (Mauders 1972).

Referring to the work of agricultural extension workers and the process of communication with communities that they serve, Mauders (1972) observed that there are two distinct systems of channels and techniques involved: *one developed and utilized by the scientific, technical, and administrative authorities, the other developed and utilized by the rural communities. Each of these is deep-rooted and firmly established among its supporters, with its peculiar equipment of material facilities, institutions, behaviour patterns, and emotional content. The two differ from each other to one degree or another, depending upon the pattern of the culture concerned. In the Middle East and in most Latin American countries, the degree of difference is striking, and represents the great gap that exists between the authorities and the great rural masses. One of the primary tasks of extension is to recognize and understand these differences, and then to work at bringing the two*

*systems of communication closer, until they are geared effectively.* (Maunder 1972, pp. 20–21)

These issues relating to innovation diffusion were recognised by governments and initiatives in agricultural extension have been implemented. However, over the past two to three decades, many governments have either withdrawn from, or significantly reduced, their investment in agriculture extension functions. In Australia for example, the situation with agricultural extension has been described as going through a process of ‘unravelling’ since the 1990s (Hunt et al. 2012). The consequence has been that Australia now has one of the least supported farm sectors in the world (Hunt et al. 2012; Productivity Commission 2005).

There is evidence that the decrease in support for agricultural extension by Australian states has resulted in the failure of the extension support for farmers, while the entry of private sector providers of goods and services into the extension space has brought into question the reliability and independence of the advice and other extension inputs provided to the agricultural sector (Hunt et al. 2012).

In summary, the role and extent of publicly funded agricultural extension in Australia has diminished significantly and has been described as ‘continuing to unravel’. This channel of communicating the innovative benefits of drip irrigation is, therefore, much more restricted than it was two decades ago.

#### **7.4.2.3 Social Networks**

Social networks are important for relating information about the complex systems frequently associated with agricultural innovations. The diffusion of these relies heavily on these social relationships and the advancement of new practices can be hindered considerably by the attitudes of various actors within these networks. Targeting farmers’ social networks, such as farmers clubs and associations, is therefore a proven strategy for disseminating information at the grassroots level (Bates et al. 2008).

### **7.5 Primary Qualitative Research with Various Agricultural Stakeholders**

Following an extensive review of relevant social responsibility literature, as well as water management and innovation diffusion literature, qualitative in-depth interviews were conducted with various agricultural stakeholders that included farmers; sales managers employed by a major manufacturer of drip irrigation, as well as agricultural equipment dealers. While some researchers have used quantitative approaches for investigating water sustainability, a qualitative method was preferred in order to provide a deeper understanding of the factors influencing irrigation method selection. The farmer sample included those using a range of

irrigation methods (drip, flood, centre pivot and sprinkler). The reasons given for not using drip irrigation were recorded and then analysed using thematic, content analysis (Braun and Clarke 2014). This process involves initially reading through all responses and then sorting the various reasons into similar themes. The top-line results from this primary research phase are presented in the next section.

## 7.5.1 Findings

### 7.5.1.1 Farmers' Perceived Barriers to Drip

Table 7.1 shows the broad range of reasons farmers gave for not adopting drip irrigation. Cost and not being the most suitable method for the conditions or the crop emerged as the main barriers. The in-depth interviews also revealed a reluctance to change on the part of those who were using an alternative method—they were generally satisfied with their current method and/or they did not perceive any particularly urgent need to conserve water.

#### *Firm's sales managers perceived barriers to drip*

For the sample of an irrigation manufacturer's sales managers, the high costs associated with drip irrigation was by far the most frequently given main reason why farmers do not use drip irrigation (see Table 7.2).

**Table 7.1** Farmers' main reason for not choosing drip irrigation (Base 145 growers)

Reason	Frequency	Percent (%)
Cost dimensions Too expensive High set up/installation costs High running costs	71	49
Suitability Unsuitable for crop type (unspecified) Unsuitable for crop type (specified) Unsuitable for conditions	40	28
System characteristics Blockages and maintenance	22	15
Other reservations Lack of/limited knowledge	12	8
Total	145	100

**Table 7.2** Managers' top *overall* reasons why farmers do not use drip irrigation (mentioned by at least 10) (Base 21 managers)

Reason	Frequency
High cost	21
Tradition/legacy/what they are used to	13
Ease of use	10

The specific elements of cost mentioned by the managers involved the cost of converting from another method, in particular, the associated expensive initial upfront equipment purchase, as well as the substantial labour and set up costs.

### 7.5.2 Dealers Reasons for not Using Drip

The 12 agricultural equipment dealers interviewed indicated that they viewed the following as being the top three perceived disadvantages of drip irrigation that served as barriers to its uptake by farmers.

1. Installation/upfront set up cost or capital expenditure (CAPEX)
2. Water quality and blockage issues
3. Lack of knowledge

As with the managers, dealers also gave the installation/upfront set up costs as the number one barrier to drip irrigation.

## 7.6 Discussion and Conclusions

This chapter has presented the top-line findings from the research conducted in Australia. The three main reasons for not using drip irrigation given by the three different stakeholders interviewed are summarised in Table 7.3.

The qualitative research with the Australian agricultural stakeholders revealed a general consensus that drip irrigation was both effective and efficient, but not necessarily suitable for all types of crops and conditions. However, perceived price and costs were consistently given as the major barrier to uptake, particularly in relation to the initial outlay for the system, although operating and maintenance costs were also cited by some. It is clear, therefore, that the cost of acquisition would seem to be the biggest barrier for farmers using this more water efficient irrigation method. This finding is consistent with other studies. For example, a survey of over 500 famers in Morocco (Kalpakian et al. 2014) also found that, while they were aware of the benefits of drip irrigation, most did not use it—the most common reason given by 48% of these farmers for not being able to instal drip

**Table 7.3** The top three reasons for not using drip irrigation given by the different stakeholders

Growers	Manufacturer manager	Dealers
Cost dimensions	High cost	Installation/upfront set up cost or capital expenditure (capex)
Suitability	Tradition/legacy/what they are used to	Water quality and blockage issues
System characteristics	Ease of use	Lack of knowledge

irrigation was the lack of money and access to funding. Government support and subsidies were viewed as the best way to increase the penetration of drip technology amongst farmers.

The economics and the cost of equipment and materials have been identified as the primary barrier to the adoption of other new products within the agriculture sector (Claver et al. 2007). Appropriate government policies would therefore appear to be the best way to encourage wider uptake of drip irrigation. However, at present the Australian Government is investing in less water efficient irrigation methods and is not promoting drip. As has been noted in other studies (e.g. Kalpakian et al. 2014), farmers require some financial incentive or subsidy to invest in, and convert to, drip irrigation. Without this it is unlikely that the uptake of drip irrigation in Australia will increase significantly.

Manufacturers might also provide assistance by facilitating the spreading of payments. For example, one dealer noted that ... *our suppliers are actually giving five years of financial help, which has been a great boost to the industry. I know it's a lot of cost but spread this over the five years and we will get the contract ...*

The study also revealed a certain degree of inertia in relation to adopting new irrigation approaches. Growers are generally satisfied with the method of irrigation they use regularly. In particular, older growers were viewed as being less likely to change and less willing to embrace new systems and technology.

In conclusion, focusing on improving agricultural practices and facilitating and encouraging innovation adoption offers significant potential for identifying ways to improve global water sustainability. However, if more water efficient farm irrigation systems are to be encouraged and adopted, then governments must drive the process. This needs to be done on two fronts: one, investing in drip irrigation, whether it is in the form of infrastructure or the provision of financial incentives; and two, by educating growers and farmers about the economic, water conservation and environmental benefits of drip irrigation. These two potential drivers for promoting effective water management in farming are not currently on the agenda of Australian policy makers and a similar situation is likely to be found in other markets.

Additional impetus for encouraging more water efficient farming might also come from consumers, by educating them about the importance of water sustainability and stimulating demand for food items that have been produced in a water sustainable manner. Consumers are becoming increasingly aware of their social environmental responsibility and pro-environmental purchase behaviour is a widely researched topic (e.g. Nguyen et al. 2016). To date however, while water efficiency is a consumer concern in the purchase of numerous household items such as washing machines, dishwashers, toilets and showers, little attention in this regard has been given to the purchase of food and grocery items. Grocery manufacturers and retailers also have a role to play in this regard and might consider labelling food items that have been grown using water sustainable agricultural practices.

Further research into sustainable farm water management is required. While this chapter has described a useful qualitative approach for investigating the barriers for farmers using more water sustainable irrigation, positivist research that quantifies

farmers' levels of satisfaction with their irrigation methods, as well as the barriers to drip irrigation should be prioritised. Explicitly stated and implicitly derived importance research methodologies offer potentially useful techniques in this regard (e.g. see Greenland et al. 2016). Consumer focused research investigating the potential for promoting water sustainability as a determinant of food purchase also offers a potentially worthwhile future research avenue.

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# Chapter 8

## Interrelationship Between Solar Lighting and Poverty Alleviation in Rural Cambodia—A Case Study of Panasonic Corporation’s Solar Lighting CSR Initiative

Lowell John Gretebeck

**Abstract** In response to the exigency of adequate lighting, international NGOs have introduced LED solar lighting that is now becoming financially affordable. The purpose of this empirical research is to assess key socio-economic changes after Panasonic solar lighting was provided to approximately 300 families living in the rural Cambodian provinces of Kampong Speu and Kampong Chhnangin 2015. The working hypothesis of this research is that solar lighting will have a direct, positive impact on the socio-economic variables of education, health, income, and safety. The results of this academic inquiry show that one of the primary benefits of solar lighting is improved child education. Another positive impact as a result of solar lighting is a reduction in monthly home energy costs by more than 50% for a majority of households. More specifically, solar lighting reduced household dependency on kerosene and battery recharging, thus enabling families to increase spending on child education, nutrition, and medical care.

**Keywords** Solar lighting · Poverty alleviation · Panasonic · Cambodia

### 8.1 Global Energy Poverty

#### 8.1.1 Introduction

Globally, over 1.2 billion people—including 3.3 million in Asia—do not have access to basic electricity to support daily household activities of cooking, child study, and income generation. In the absence of reliable electricity, people in developing countries depend on kerosene, batteries, and candles for their lighting

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needs. Extensive research to date confirms that these non-electric energy sources are unhealthy and costly for 2.6 billion people, comprising 40% of the world's population, who live on less than 2 dollars a day.

It is widely accepted by development professionals that access to efficient and affordable energy is a prerequisite to poverty alleviation and sustainable development (Halff and Sovacool 2014). Energy is a vital determinant of poverty alleviation because it supports essential life activities of cooking, heating, and lighting and enhances child education and household micro-business activities. Scholars in a comprehensive report issued by Sokoine University of Agriculture (2011) write, "Energy is only one determinant of poverty and development, but it is a vital one. Energy supports the provision of basic needs" (pp. 80–81).

### **8.1.2 Cambodia Context**

The World Bank—IFC (2012) reports that over 1.06 million households in Cambodia are dependent on kerosene for their primary source of lighting, compared to an almost equivalent number of 1.16 million who use batteries. This report further notes that households using kerosene are typically poor and it is therefore financially prohibitive for these families to consider the use of alternative energy sources. As incomes rise, however, the percentage of households using batteries tends to increase. Yet the use of batteries has significant drawbacks. First, the cost per kWh is estimated to be five times the cost of electricity that is provided through national electric grids. Moreover, battery-charging stations (BCS) run on diesel generators that produce more than 150,000 tons of CO<sub>2</sub> annually, which negatively affect the local and global environment (pp. 89–90).

The solar lighting market in Cambodia is characterized as underdeveloped or nascent, with less than 20,000 solar lights currently in use. In terms of market penetration, it is estimated that only 2% of homes use solar (World Bank—IFC, p.90). There are various reasons for this low level of market penetration, including minimal local manufacturing capacity, over-abundance of poor quality products with a high level of spoilage, lack of product quality certification, high upfront costs, lack of financing structures, high import duties and taxes on solar light components, underdeveloped distribution and repair channels, and a low level of public awareness regarding the benefits of solar lighting.

Despite these obstacles to solar light market penetration in Cambodia, government officials and development experts generally agree that long-term market success of solar lighting is favorable if we are able to overcome and rectifying these stated challenges. The data suggests there is significant upside potential for solar light penetration because only 24% of the households currently have access to electricity, and looking ahead only 50% of Cambodia households are projected to have access by 2020 (World Bank, IFC, p. 87).

## 8.2 Research Methodology

In undertaking this study, the researcher used a “mixed” quantitative and qualitative methodological approach. As such, qualitative interviews with individuals and focus groups were considered an important complement to the quantitative solar impact survey instrument.

Quantitative data was collected through a semi-structured questionnaire. The three sections of the questionnaire provided detailed information about household characteristics and demographics, household energy use, and solar lighting benefits. The questionnaire consisting of approximately 30 questions was previously translated into Kmer, and implemented by local NGO staff approximately 6 months after the date of solar light distribution. Due to the low level of reading and writing literacy of the recipients, LWD personnel assisted local residents in completing the survey.

A few weeks after the completion of the questionnaire, then, the researcher visited the rural distribution areas to personally meet local residents to obtain additional information about energy use patterns and to fully understand changes that occurred as a result of solar use. In total, three focus group discussions, with 10–15 participants each, and 20 individual interviews were completed in 2014 and 2015. The participants were homogeneous in terms of gender, occupation and social backgrounds, thus encouraging open discussion. A staff member of the local NGO, Life with Dignity (LWD), served as moderator and guided the focus-group 2-hour discussions based on a set of pre-determined questions. Participants were also encouraged to freely talk about their lighting needs, experience with solar use, and share opinions about key challenges facing village communities.

## 8.3 Solar Light Distribution

### 8.3.1 *Solar LED Specifications*

Equipped with 5 small LEDs, the Panasonic Solar Lantern—Model BG-BL103—was designed to be fully charged within the timeframe of approximately 6 h, contingent upon clear and sunny conditions. After a full charge, the unit has an estimated lighting time of 6 h when set on High, as compared to 15 h on Medium and 90 h on Low. In addition to providing light during evening hours, the lantern has an additional feature to charge mobile phones with a capacity of 700 mAh in approximately 2 h. Panasonic reports that the International Electro-technical Commission (IEC) awarded the product with an ingress protection rating of IP34 for dust and water resistance, which speaks to Panasonic’s high level of manufacturing quality. Panasonic 100 Thousand Solar Lanterns Project. (2013/10) Products. Retrieved from <http://Panasonic.net/sustainability/en/lantern/2013/10/solar-led-lantern.html>.

### 8.3.2 *Distribution Procedure*

A well-known and reputable local NGO in Phnom Penh, Life with Dignity (LWD), was selected by Panasonic Corporation to facilitate the distribution of 450 Panasonic Solar Lanterns in November, 2014. As shown below in Table 8.1, the distribution was across several community-based stakeholders, including health groups, financial and work committees, educators and individual households. The stated purpose of the donations was to support vulnerable households, community-based organizations (CBOs), and Village Development Committees. A corollary objective of the distribution was to improve the quality of work, education and living conditions of the rural poor who did not have access to electricity.

In an effort to avoid conflict at the community level, LWD staff met with members of commune councils and other village leaders to explain the rationale for Panasonic's solar light donation and to further reach a consensus on a distribution plan. Thereafter, all target recipients were provided with a comprehensive orientation on solar light use and maintenance, thus ensuring proper long-term use. Another facet of this planning included an agreement between LWD and solar light recipients to ensure that the lanterns would be exclusively used for the intended purposes and not sold to others. Also, the recipients were asked to participate in a follow-up impact study within 6 months of the distribution date.

## 8.4 Socio-Economic Characteristics of the Target Areas

### 8.4.1 *Local Economy*

The first target area is Kampong Chhnaing, which is a small province 91 km from the capital city of Phnom Penh. The second provincial target area, Kampong Speu, is located immediately to the south, just 48 km from the capital. The area is home to more than 20 factories, with over 50% of the companies producing garments and

**Table 8.1** Solar lantern distribution by target group and district

Target Group	Proposed main solar use	Aoral district	Kampong Chhnang	Phnom Srouch	Total units
Village health group	Health education	24	34	0	58
Village bank committee	Bookkeeping	0	37	0	37
Agriculture cooperative	Bookkeeping	0	14	0	14
Development committee	Village meetings	14	29	0	43
Pre-school teachers	Class preparation	3	0	2	5
Community Ed. Center	Child study	6	0	0	6
Households	Child study	103	36	148	287
Totals		150	150	150	450

footwear. Our field survey of 186 respondents (64.8% response rate) indicated that 75% of the households are actively engaged in agriculture, compared to 15% of the families who work in the construction sector or are involved in other day-labor activities. The participant households commonly report that children help with agriculture work as time permits. The area remains comparatively poor when compared to other parts of Cambodia; Kampong Speu province has a poverty rating of 23 out of 24 provinces.

### ***8.4.2 Household Characteristics***

The majority of the 287 households who received solar lights in December 2014 reside in Phnom Srouch, followed by Aoral and Kampong Chhang districts, respectively. As expected, these households are often composed of extended families, which may include nieces, nephews, distant relatives or grandparents. Also, it is important to note that the average size of the households in the study was 5.6 members. Moreover, the average number of children in these families was 2.8, with 2 children per household attending school.

### ***8.4.3 Family Asset Ownership***

Of the 186 survey respondents, only 4% reported automobile ownership, while 52% possess a motorbike and 75% have a bicycle. This data indicates that rural mobility is limited and that residents are highly dependent on limited public transportation to get around. Furthermore, we can conclude that information access is limited with only 24% of respondents reporting television ownership and a similar level of 29% for radio. In comparison, cellular phone ownership is comparatively high at 64%, and is considered the main source of news and information.

Another significant socio-economic characteristic is that of the quality of home construction, whereby only 6% of respondents indicated living in dwellings constructed of cement, followed by 28% built with thatch and 26% with mud. A majority or 68% of the residents reported living in homes that are constructed with a combination of mud, thatch, and cement. Follow-up site visits confirmed that many of the residents reside in basic housing structures of mud and thatch, which confirmed poor socio-economic conditions.

### ***8.4.4 Family Income and Expenditures***

One hundred and eight six households reported their monthly income and expenditures on food, healthcare, education, clothing, and lighting. 97% of the

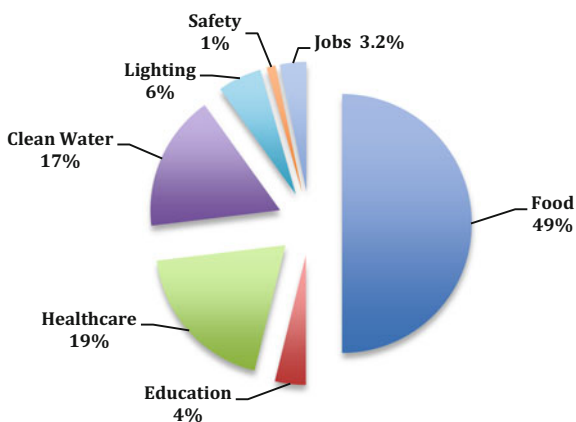
households or 55% reported a monthly income of less than 50 dollars, while another 25% reported that income was in the 50–75 dollar range. Only 14% of the household income levels exceeded 100 dollars per month. The average monthly income across the full data-set of 186 respondents was equal to approximately \$72, equivalent to approximately 8000 Japanese Yen.

Families reported that food expense comprises the greatest portion of the family budget, with almost 46% of respondents spending 40% or more of the family budget on food. This high percentage of income allocated to basic food supplies is characteristic of people living in poverty. Only 10.8% of households reported food expenditures less than 10% of the family budget. Still another major expense allocation includes child education, with approximately 60% of the households committing 20% or more of the family budget for education expenses.

#### 8.4.5 Identification of Major Socio-Economic Problems

To gain a better understanding of the socio-economic challenges facing the target recipients, individual households were asked to identify the most significant problem facing their family. Ninety-one households or 49% of the survey respondents said that insufficient food was the single-most problem. This was followed by inadequate healthcare at 18.8% and lack of clean drinking water at 16.7%. It is not surprising that those items required for basic life survival were named as most critical, namely, food, water, and healthcare (Fig. 8.1).

**Fig. 8.1** Identification of major socio-economic problems



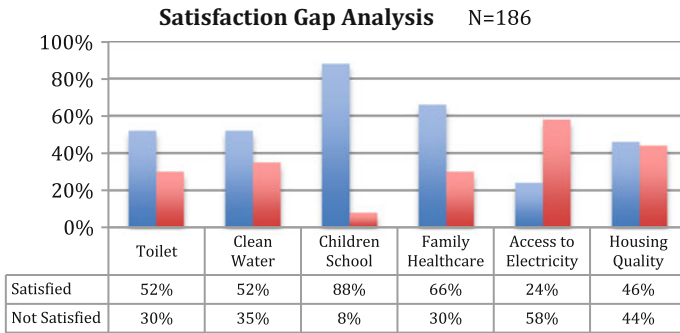


Fig. 8.2 Level of satisfaction

### 8.4.6 Satisfaction Level

As a part the review of socio-economic characteristics, individuals were asked to rate their level of satisfaction in six areas: toilet facilities, clean water, child education, healthcare, access to electricity, and housing. As shown below in Fig. 8.2, the largest area of dissatisfaction is reported in access to electricity, with 58% citing dissatisfaction, followed by housing quality at 44%, clean water at 35%, and healthcare at 30%, respectively. In contrast, 88% of the respondents were generally satisfied with the quality of education provided to children.

## 8.5 Baseline Energy Use Data

### 8.5.1 Main Source of Lighting

As shown below in Table 8.2, 53% of the 186 respondents cited the use of battery power as the major source of lighting prior to solar use, followed by 39% who regularly use kerosene. Other minor sources of lighting included flashlights and candles. Moreover, the survey data indicated that households, on average, used these energy sources to provide approximately 2.5 h of lighting each evening. When asked to identify problems associated with pre-solar energy sources, 52% cited poor light quality, followed by 21% who identified bad smell and 20% health concerns. On-site interviews confirmed the above findings, with a majority of those interviewed citing the issues of poor light quality and health concerns. Additionally, several households commented that kerosene and battery charging was expensive and not safe to use in the presence of children. When probed more on the issue of child safety, concerns were raised about coughing as a result of kerosene use, as well as the risk of fire.



**Table 8.2** Current lighting source in target areas

Lighting source	Oral	Phnom Srouch	Samaki Meanchey	Tuek Phos	Total
Batteries	28	19	21	31	99
Kerosene	29	35	6	3	73
Candles	2	1	0	0	3
Flashlights	4	5	0	1	10
Electricity	0	0	1	0	1
Total	63	60	28	35	186

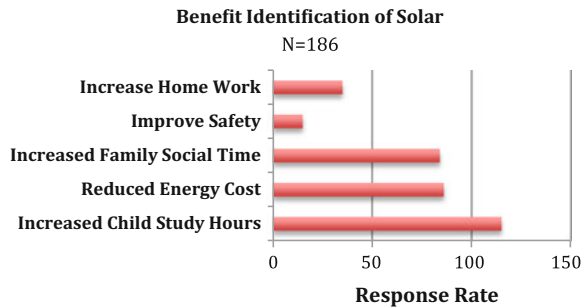
### **8.5.2 Average Monthly Energy Cost**

The average cost of energy each month closely correspond with the household size, meaning that larger households require more expense for energy. Smaller families spend approximately 4 dollars for energy, while larger households spend 7 dollars or more each month. This level of expenditure needs to be evaluated within the context of total income earned each month, which is approximately \$72. Calculated energy costs comprise approximately 5–10% of a family budget.

## **8.6 Solar Lighting Use Assessment**

### **8.6.1 Solar Benefit Identification**

In an open-ended question, the survey instrument attempted to identify the greatest perceived benefits associated with solar after a 6-month period of use. The data showed that the greatest benefit—as reported by 115 respondents—was that of increased child study hours, followed by a reduction in energy costs and increased family social time. A lower percentage of respondents identified health, safety, and income generation as positive outcomes. Once these main benefit categories were clearly identified, more comprehensive and in-depth qualitative interviews were carried out. In a cross-reference question, solar light recipients were also asked to identify the most common uses of solar on a daily basis, with child study, family socializing, and cooking noted as the top three uses of solar lighting. However, the use of solar for income generation and providing emergency lighting was not identified as a significant use category. Yet, residents commented that an expanded use for income generation in future months was likely (Fig. 8.3).

**Fig. 8.3** Benefits of solar

### 8.6.2 *The Economic Impact*

One of the most significant impacts of the Panasonic solar lighting is financial savings due to reduced expenditure for kerosene and battery recharging. While other empirical studies have narrowly focused on the impact of savings alone, this research expanded the analysis to understand changes in overall spending patterns for recipient households. The results show a reduction in expenditure on kerosene and battery recharging that is equivalent to approximately 50% of monthly energy costs when compared to expenditure levels prior to solar use. This savings has a profound impact on poor families who live on a daily income that is close to the World Bank's designated poverty threshold of \$1.90 set in October 2015 (World Bank 2016). Below this global poverty line, it is generally agreed that families, including those in this study, would not have sufficient income to pay for basic food, clothing, and shelter. Of the 186 target households in this study, approximately 40% reported a monthly savings in the range of 10,000–40,000 Cambodia Riel, equivalent to 2.50–14 dollars per month. Follow-up interview sessions held with solar recipients confirmed these findings, with a majority of people stating that solar allowed for savings that had a significant impact on the family budget.

Taking our analysis one step further, this study concluded that money saved was thereafter reallocated to other budget priorities, which resulted in improving the livelihood of families in the areas of nutrition, education and healthcare. Forty-one percent of the households reported that the amount of savings, due to the use of solar, was primarily used to purchase additional food and water, while 43% allocated additional money for the purpose of child education. A lesser percentage of 6% of the households used energy savings to cover healthcare costs, and 9% designated the amount for long-term savings. Similarly, field interviews confirmed these findings that solar use took pressure off the family budget, and allowed for additional funds for food and child education. One mother commented that she was now able to buy more food staples and a school uniform for her child as a result of the energy savings. Still another individual said that she was now able to save an additional \$4 dollars a month, which would allow the family to purchase a larger and brighter solar light in the months ahead. This particular individual went on to point out that in addition to savings, the family had the added benefit of improved

**Fig. 8.4** Energy savings reallocation



light quality. “Because the solar light has various light settings of high, medium and low, one solar light can replace up to two of my kerosene lamps,” she said.

Another financial issue reviewed was the average “payback period” as a result of solar use. Assuming a cost of approximately 50 dollars for the Panasonic Model BG-BL03, a savings rate of 4 dollars each month would translate into a payback period of approximately 12 months. Furthermore, considering a 3-year lifespan for the Panasonic solar product, combined with a total 3-year energy savings of 144 dollars, we calculated that a family would be able to reallocate approximately 65% of their energy savings into items such as food and child education, while at the same time shifting 35% of these savings to support the purchase of a new, similar product at the end of a 3-year period. In short, long-term sustainability of solar lighting, on the one hand, and the allocation of additional resources to alleviate poverty, on the other, are surely possible with proper planning (Fig. 8.4).

### 8.6.3 *The Impact on Education*

A central hypothesis of this research is that solar lighting will have a positive impact on child education. On average, our solar impact survey shows that child study hours have increased from one hour to three hours per day. Also, this finding was triangulated with on-site interviews with heads of households who confirmed a significant increase in the number of study hours each evening. Prior to solar, it was reported that poor lighting provided by kerosene lamps actually limited study time that was possible each day, particularly because of the high cost of kerosene, as well as bad smelling fumes and an increased risk of fire. Some parents commented that the use of kerosene lamps, coal, wood, and cow-dung caused children eye irritation and often led to coughing and respiratory problems.

Interview sessions with primary school teachers also revealed that students are now better prepared and earn higher grades. Teachers commented that solar lighting enables evening activities, including parent meetings, the offering of adult

education classes and enhances the quality and quantity class preparation for teachers. These academics further commented that the availability of solar has increased the level of student motivation and brought about a new awareness of the benefits of solar. Still another teacher's, observation is that solar has resulted in a "peer effect", meaning that total class performance is now higher as a result solar because the class can now move ahead at a faster pace. School officials also reported that solar now provides greater flexibility as students now shift their study time from afternoon to early evening. This flexibility has resulted in greater participation in school-sponsored sport and club activities, as well as helping parents with daily chores, including farming activities. A final comment that came out of our follow-up discussion with school leadership is that solar should encourage new teachers to live and work in rural areas.

#### ***8.6.4 The Impact on Family Socialization***

The third significant impact of solar is more family and community social time during the evening hours. Over 50% of the survey respondents cited this as both an identified benefit and high level of use. When asked during follow-up interviews about this issue, mothers said that solar lighting was often used for multiple purposes in the evening, including cooking, dinner together, neighbor visits, and child study. As explained, while a child is using the solar light to study in the evening, the mother may be simultaneously engaged in cooking and household chores, and the father chatting with neighborhood friends. Still other households stated that relatives and neighborhood friends visited their homes more often because they were able to enjoy the clean lighting that solar provided.

#### ***8.6.5 Linked Impacts on Future Income Generation, Health and the Environment and Information Access***

During field interview sessions, heads of households identified two significant long-term benefits of solar. First, it was generally felt that additional study hours in the evening hours would result in greater higher educational opportunities in the future. Combined with higher educational attainment, then, it was felt that a higher level of income would be possible as these more educated students assume jobs in the technical and service sectors of the economy. While parents are currently engaged in agriculture, the children often talked about their dreams to become a doctor, teacher, pilot, or policeman. Indeed, the level of educational attainment and long-term income generation go hand-in-hand.

A second linked impact is that of long-term health and environmental care. Despite the fact that less than 24% of the residents have information access to a

television or radio, there appeared to be a general awareness that the use of kerosene, in particular, has a negative impact on long-term health and was not good for the wider environment. Furthermore, solar light recipients commented about the need to care for the world community in which they live, which mandates a reduction in wood burning and kerosene use. This general understanding at the grassroots level is consistent with environmental experts that the substitution of solar lighting would reduce CO<sub>2</sub> emissions by 34 million tons a year.

A final linked impact as a result of solar use was that of improved information access. The research data reveals that over 70% of the cellular phone users reported a significant increase in the use of the cellular phone to obtain news and information. As explained, this improved access to information was possible because the Panasonic BG-BL103 LED Lantern comes with cellular phone-charging capability. Ninety percent of the survey respondents make regular use of this charging function.

## 8.7 Summary

The use of solar lighting has dramatically reduced household dependency on kerosene and batteries. This has resulted in increased savings, which enables poor families to designate more financial resources for nutrition, education, and healthcare. In addition, we can conclude that solar lighting has a profound impact on child education, particularly as children are able to study more hours each day. Next, our research indicates that solar improves the quality of living as households face less health-related problems.

This research also informed that Panasonic's *100 Thousand Solar Lantern Project* has resulted in a greater awareness and acceptance of the benefits of solar lighting among community participants. A majority of households reported a new interest to independently purchase solar lamps in the future, citing both financial and health-related benefits. Clearly, residents now understand that solar electricity is a viable option for rural lighting because the initial investment costs are low with a one-year payback period.

A final cautionary observation is that while there is favorable market penetration potential for solar lighting in Cambodia, many legal and structural barriers still exist. Under current Cambodia law, duties on imported components remain high, thus discouraging local assembly. Further, financing, after-sales support, and supply chain structures remain underdeveloped, which hinder the rapid expansion of the solar lighting market.

## 8.8 Final Recommendations to Promote Solar Led Sustainability

- In an effort to create greater awareness of the use of solar, local and international NGOs—in cooperation with local governments and CBOs—should be proactive in education programs focused on the benefits of solar use, with a particular focus on child education and financial implications at the household level. On the corporate side, information and marketing efforts are needed to promote awareness and build a basic knowledge foundation about new products that are available.
- Expanded market penetration and long-term sustainability of the solar use will require the set-up and training of local technicians to provide after-sales service. Training will be required of people at the grassroots level in the areas of installation, repair, maintenance, and spare parts procurement.
- NGOs, community-based organizations, local governments, and corporate stakeholders should continue to lobby national government officials to reduce duties on solar lighting components (currently 35%) and customs fees which will decrease the end-consumer-price of solar lighting products.
- Governments, international and local NGOs, and community-based organizations, and corporations should take an active role in quality assurance and consumer information efforts.

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## Chapter 9

# An Exploration of Social Investment Discourses in the Oil and Gas Sector

Rafaela Costa Camoes Rabello, Vivienne Anderson and Karen Nairn

**Abstract** The oil and gas (O&G) sector is the leading sector in developing social investments worldwide. O&G companies, mainly multinationals, collectively spend amounts that surpass US\$ 500 million per year on social programmes. O&G social investment programmes range from building schools, to developing fish-farming initiatives. How O&G social investment is conceptualised may determine its failure or success in alleviating poverty and promoting human development in host countries. In this chapter, I report on an on-going doctoral study aimed at exploring the social investment discourses revealed in O&G experts' discussion about O&G social investment, and the possible impact of these discourses on local communities. Data were collected through semi-structured interviews. Theoretically, I drew on post-structural and critical theoretical perspectives as a basis for 'reading' the participants' narratives and guidelines documents. Preliminary findings reveal four main discourses of social investment, which I describe as *working on*, *working around*, *working for* and *working with* communities. However, multiple discourses emerged in most participants' accounts, resulting in apparent tensions and contradictions. In this paper, I argue that O&G social investment may be most effective in assisting host communities if framed in relation to *working with* discourses. I identify a need for further research that explores how the discourses identified in the guidelines and interviews actually impact social investment on the ground.

**Keywords** Oil and gas · Corporate social investment · Corporate social responsibility · Institutional expectations · Poverty alleviation

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## 9.1 Introduction

The oil and gas (O&G) sector is the leading sector in developing social investments worldwide (Frynas 2009a, b). O&G companies, mainly multinationals, collectively spend amounts that surpass US\$ 500 million per year on social programmes (Frynas 2005, 2009a). O&G social investment programmes range from building schools to making charitable donations to developing fish-farming initiatives (Frynas 2009a; Garcia and Vredenburg 2003; Newell and Muro 2006). The benefits of O&G social investment for the host communities are often contentious. Social investment is either perceived as fostering development and challenging poverty in host societies, or as bribery and deceit that actually jeopardises the development of local communities (Bank 2004; Fleming et al. 2013; Hilson 2012; Ite 2004; Lorenzo-Molo 2009; Van Tulder 2008). These two juxtaposed understandings are what O&G social investment experts draw on when conceptualising social investment.

There is little empirical research concerning O&G social investment experts and their understandings of O&G social investments in host countries. In this chapter, I report on an on-going doctoral study aimed at exploring the discourses of social investment revealed in O&G guidelines and experts' discussion about O&G social investment, and the possible impact of these discourses on the host communities. An in-depth investigation of the experts' discussions of social investment revealed four dominant discourses, which I describe as *working on*, *working around*, *working for* and *working with* communities. I argue that O&G social investment will be most effective in assisting host communities if framed in relation to *working with* discourses. Nevertheless, in social investment experts' narratives, *working with* the communities is not a simple or linear process; rather, it requires hard work and long-lasting partnerships. Ideally, such partnerships should be based on a trusting and engaging agreement among the company, the local communities, local civil society groups, NGOs and local government.

To examine the four main discourses of O&G social investments, this chapter is organised in four sections. In the first, I provide a brief review of literature exploring O&G social investment. In the second, I introduce the research methodology and elaborate upon the main theoretical approaches for analysing the research data. In the third section, I present an overview of the four discourses that emerged in the participants' interviews. I also identify the contradictions inherent in participants' use of the four discourses. In the fourth and final section, I discuss the findings reported in this chapter, identifying some implications for O&G social investment practice.

## 9.2 Contextualising O&G Social Investment

O&G companies are increasingly pressured by governments, funding institutions and O&G personnel to develop social investment in host societies (Frynas 2009a, b). Although O&G companies are strongly advised to receive input from local

communities and key stakeholders<sup>1</sup> about the best ways to develop social programmes (Baskin and Gordon 2005; Hess et al. 2002; IPIECA 2004, 2008; ISO 26000 2010), the majority of O&G social investment programmes do not take such an approach (Frynas 2009a).

A review of the existing literature indicates that O&G social investment succeeds or fails according to its capacity to meet the idiosyncrasies of its host societies (Ahmad 2006; Anderson and Bieniaszewska 2005; Newell and Muro 2006). For example, a study of BP's social investment in the Faroe Islands corroborates the notion that social investment has to respect a country's cultures and values to succeed (Anderson and Bieniaszewska 2005). According to Anderson and Bieniaszewska (2005), O&G social investment in the Faroe Islands has fostered a positive relationship with the host communities because it respected the unique socio-economic context, local culture and values of the host communities. Anderson and Bieniaszewska (2005) research also suggests that the benefits and prestige derived from successful social investment in one location are not transferred to new cultures and territories.

On the other hand, a study developed in Thailand by Srisuphaolarn (2013) with companies within and outside the O&G industry indicated that western standards of 'going green' do not address Thailand's values of social responsibility (Srisuphaolarn 2013). Srisuphaolarn's study demonstrates how social investment based on western assumptions of what Thai society expects from corporations may fail to benefit the host society.

Another example of O&G social investment succeeding or failing according to its capacity to meet the peculiarities of its host societies is demonstrated in a paper by Garcia and Vredenburg (2003). The paper describes the Pacalta study case. Pacalta is a Canadian O&G company that developed a successful social investment in Ecuador. According to the authors, Pacalta was successful because it implemented a sustainable approach that was based on the demands and reality of the host community.

The opposite pole of social investment's meeting society's demands is one-off charitable donations. Sole charitable donations hinder development in the long run (Ite 2004). For instance, in the history of O&G social investment in Nigeria, O&G companies such as Shell, implemented social investment solely based on charity through a programme called Community Assistance (Ite 2004). This programme addressed areas of water and sanitation, health care, voluntary training, education, agriculture, micro-credit and business development and infrastructure (Ite 2004). Ite's research shows how the Community Assistance initiative fostered a 'culture of dependency' and encouraged the local community to depend on the O&G benefits rather than empowering locals to overcome the poverty trap (Ite 2004).

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<sup>1</sup>The meaning of 'stakeholder' will vary according to the type of theoretical perspective on Corporate Social Responsibility a company adopts. Nonetheless, a general understanding of stakeholder is "a group or individual who can affect or is affected by the achievement of the organisation's objective" (Freeman 2010, p. 46).

Additionally O&G social investment harms society if it is used to address the private interests of a few (Cash 2012; Frynas 2009b; Frynas and Wood 2001; Hilson 2012; Idemudia and Ite 2006). One example of a failed O&G social investment that solely focused on promoting business advantages was in Angola. According to Frynas and Wood (2001) O&G social investment in Angola included charitable donations, weapon deals and other forms of assistance to finance the civil war in Angola and obtain a license to operate (Frynas and Wood 2001). The O&G approach to social investment in Angola aimed at solely satisfying business goals, irrespective of the wider effects on community members. O&G social investment harmed Angolan society because it financed a corrupted and authoritarian regime that supported decades of civil war (Frynas and Wood 2001). The war killed over 20,000 people and generated ages of suffering and civilian turmoil (James III 2011).

A review of the literature also indicates that O&G social investment may harm society if it is presented as an alternative to government (Cash 2012; Frynas 2005; Hilson 2012). Many companies use social investment to substitute for local government. Such practices may create great community and governmental dependency on the O&G resources (Cash 2012; Frynas 2005; Hilson 2012). Social investment developed as an answer to a country's employment, economic and social issues may have a negative impact on local democracy and governability (Bobby Banerjee 2014).

In this section, I have provided a brief overview of some relevant literature on O&G social investment. I turn now to the methodological and theoretical resources that informed my own study.

### 9.3 Methodology

In this chapter, I discuss a qualitative study of O&G social investment discourses. Qualitative research is concerned with the socially constructed nature of 'reality' (Denzin and Lincoln 2011). A qualitative methodology allows me to investigate how my participants attribute meanings to social investment within their naturally occurring settings (Willig 2013).

This chapter reports on the data gathered from phase two of a four-phase research project. The four phases of the data collection consisted of the following. In **phase 1**, the participants were research advisers. **Phase 2** participants were O&G social investment analysts/experts. In **Phase 3**, the participants were O&G guideline experts. **Phase 4** targeted Brazil and New Zealand O&G and social development government officials.

Specifically, in this chapter, I use discourse analysis to 'read' 14 phase 2 semi-structured interviews. Participants included 14 O&G social investment experts from Europe, Africa, South America and North America. All phase 2 participants had worked for a minimum of 3 years in O&G social investment. Consultants of third-party companies that had worked with O&G companies to implement social

investments also participated in this phase of the research. Phase 2 participants' roles included management, analysis and consulting.

The interviews were conducted either by Skype or telephone. Each interview ranged in duration from 30 min to one hour, with a few exceptions. The interviews consisted of a series of questions about the participants' experiences and impressions of social investment. All phase 2 interviews were audio-recorded, with one exception. One phase 2 'interview' was conducted via LinkedIn inmail in written form. All audio-recorded interviews were transcribed. The transcriptions were offered to all participants. Participants were free to change, delete or add information to their interview transcript.

Participants gave informed consent either by signing a consent form, providing written consent by email or recorded oral consent by Phone/Skype before the interview took place. Anonymity was assured. In order to guarantee participants' anonymity, in this chapter I do not name participants' gender, countries of origin, companies or roles. In addition, when referring to each participant I do not identify their gender. Instead, I use the joint pronoun s/he or his/her. All participants were offered the chance to choose their own codenames; however, only one participant did so, naming him/herself 'AAPRM'. I assigned codenames to the other 13 participants. Each codename has the prefix 'P' referring to the word 'participant' and a number from 1 to 18.

## 9.4 Theory

Theoretically, in this chapter, I draw on post-structural and critical theoretical perspectives as a basis for 'reading' the participants' narratives and guideline documents. Critical theoretical perspectives allow me to challenge taken-for-granted understandings of O&G social investment, and to open up new possibilities for understanding the political, institutional and philosophical spheres of O&G social investment. Post-structural perspectives attend to questions of 'discourse', power and subjectivity: how written, spoken, visual and gestural language constitutes people, social practices and psychological life (Bloor and Bloor 2013; Fairclough 2001; Gavey 1997; Willig 2001). A 'discourse analysis' is concerned with the ways in which language constructs objects, people and communities in particular ways (Gavey 1997; Potter and Wetherell 1994). People and their actions are located within complex webs of social relations and institutions, that are marked by uneven relations of power (Macdonald et al. 2002; Willig 2001). From a post-structural perspective, some discourses are so deep-seated in a society that they are taken-for-granted and presumed to be common sense (Willig 2001). These discourses are 'dominant' discourses and are difficult to challenge because of the entrenched and shared assumptions that are inherent within them. However, they may change over time if alternative discourses become accepted in wider society (Willig 2001).

In this study, post-structural understandings of subjectivity and power allow me to consider the shifting ways in which participants understand social investment and themselves as actors within the O&G sector. The term ‘subjectivity’ denotes how selves are both acting subjects and constructed within broader discourses that shape their lives and work (Davies 1990, 1991; Macdonald et al. 2002). Post-structuralist understandings of subjectivity capture a dual meaning, recognising how people may occupy multiple positions simultaneously, exercising agency while being subject to constraint (Davies 1990, 1991). People’s subject positions may vary depending on the power relations within which they are situated (Gavey 1997). In post-structural terms, ‘subjectivity’ recognises people’s lived reality as “fragmented, inconsistent and contradictory” (Gavey 1997, p. 465). This is because people, as subjects, are always embedded in multiple discourses that may promote different subject positions concurrently (Gavey 1997).

In this chapter, I explore the discourses revealed in social investment experts’ interview discussion about O&G social investment, and how these connect with broader discourses inherent in O&G social investment guidelines. I am also interested in the power relations these discourses reveal, and in the ways in which O&G experts’ accounts and social investment guidelines reveal possibilities for constructing O&G social investment differently.

## 9.5 The Preliminary Findings

Interviewees’ discussions about O&G social investment revealed four dominant discourses, which I describe as *working on*, *working around*, *working for* and *working with* communities. Some participants drew on one discourse, while others drew on multiple discourses, sometimes, in apparently contradictory ways. However, for analytic purposes, I begin by focusing on each discourse separately.

What follows is an overview of how the four discourses emerged in my research interviews and document analysis. While describing each of the discourses and how they appeared, I also discuss the contradictions that emerged in the interviews. I begin with *working on* discourses.

### 9.5.1 Working on Discourses

*Working on* discourses appeared in all of the interviews. *Working on* discourses position social investment as a top-down approach towards the host community. These discourses are often revealed in the development of programmes where decision-making is based on a one-way approach. For example, in such discourses, the company tends to be positioned as retaining full control of programmes selection and implementation. In contrast, communities have no part in deciding or shaping the social programmes; communities are solely the recipients of the

'benefits' of O&G social investment. Such 'benefits' are usually represented as one-off charitable actions. At times, or in some places, the interviewees critiqued *working on* discourses in relation to O&G social investment. However, they also took up such discourses when discussing O&G social investment.

Participants' narratives revealed considerable opposition to social investment framed as *working on* communities. The following, retrieved from a participant interview, segment illustrates such resistance:

I think that many companies see SI [Social Investment] as a charitable donation and that is a completely wrong approach. It raises expectations of communities and also leads to no outcome. (P3)

Although participants expressed explicit disapproval of social investment conceptualised in terms of *working on* communities, contradictions also emerged in participants' descriptions of actual social investment practices. In the following narratives, two participants talk about social investment programmes that they have found rewarding:

In about two or three weeks that we spent in the area it was like God came down to save the people. (P4)

If I had to categorise them, to me those are like the best types of social investment because you are really investing in humans, human beings. You know you are giving them, giving an individual a knowledge, a skill, a trade. (P10)

In both excerpts, the participants clearly intended to 'do good' and to assist local communities. Nonetheless, their accounts revealed how power is not exercised bilaterally. Rather, the participants positioned companies as the keepers of knowledge and the agents of development. Within *working on* discourses, the company is positioned as a superior entity.

Arguably, framing a company as superior to the host community (and the host government) could be advantageous from a business perspective if it generates an imbalance in the company-host society relationship. This is because such destabilisation could be then further explored and strategically used so that social investment becomes a mechanism of domination and control (Davis 1973; Fleming et al. 2013). In this way, within *working on* discourses, companies may discursively and materially construct social investment as a way to obtain business advantage. *Working on* discourses purport to be 'doing good' while also masking companies' concerns with maintaining operations in the host country, irrespective of ethical considerations.

O&G social investment conceptualised within *working on* discourses is sometimes based on actions that address gaps in government provision in particular communities. By developing social investment approaches that compensate for (lack of) government, O&G companies may foster the host community and government's (1) reliance on them for their wellbeing; and (2) willingness to welcome O&G activities. By fostering such reliance, corporations hold themselves socially accountable for the host society, beyond the local legal expectations, as a source of political empowerment. In this way, social investments create great social

dependency upon the O&G provisions, which may threaten the division of power between public and private institutions (Davis 1960, 1973; Garriga and Melé 2004).

Interviewees in my study were mostly aware of the risks of ‘top down’ (*working on*) social investment, and positioned themselves in opposition to social investment as a substitute for the government. For example, one interviewee said, “you have to explain that the company is not here to undertake the responsibility of the government” (P1), apparently debating his/her positioning in this regard.

On the other hand, later on the interview, P1 acknowledged that the company may take some of the government’s responsibility if the government does not have the means to support the host community. S/he said:

The situation is very tough and because of the financial crisis and I am very worried that these people [in the local community] will be the most affected by the crisis because of ... the government, who won’t be able to fight for or support them. So at the end of the day I am happy to help in this situation. (P1)

P1’s beliefs about social investment were clearly held in tension, as illustrated in the quotes above. Although P1 expressed the view that the company is not there to perform the role of the government, he/she also saw value in the company supporting the community if the government was unable or unwilling to do so. In this way, P1 could use an apparent lack of ‘good government’ as justification for business strategies that provided competitive advantage.

P1’s narrative suggested genuine concern for the host community in cases where the governments failed in assisting them. Participant P1 considered social investment to be a way of supplementing government provision in delivering social goods. *Working on* discourses tended to justify O&G company activities in terms of government failure, but at the same time, those who spoke in this way, also revealed concerns about O&G companies performing the role of the government. Research data revealed cases where, performing the role of the government was not, at face value, used as a strategy to deceive the community or obtain business advantage. Nonetheless, a contradiction surfaced when participants both problematized, and argued for, social investment as ‘working on’ communities.

The contradictions that emerged in participants’ *working on* discourses ‘revealed alternative ways of thinking about social investment, for example, as *working around*, *working for* and *working with* communities’. I discuss *working around* discourses next.

### 9.5.2 Working Around Discourses

In the participants’ interviews, *working around* discourses were very closely related to *working on* discourses. For instance, four participants explicitly talked about social investment as a way of obtaining a social license to operate. Nonetheless, what distinguished *working around* discourses from *working on* discourses was the

underpinning understanding that all stakeholders (O&G companies and communities) should be equal beneficiaries of the social investment (Morrison 2014).

The following quotes illustrate how the social license to operate appeared in *working around* discourses in participants' accounts:

Um, yeah, I think it's [social investment's] integral to what we call a social license to operate [...] (P5)

Well it's optimum to say that it [social investment] is part of the social license to operate, I mean, I am sure you heard that in your research [laughs]. But I see as an integral part of doing business in an extractive industry. (P10)

In *working around* discourses, participants established a direct parallel between social investment and a 'social license to operate'. According to Gunningham et al. (2004) the social license to operate relates to activities companies develop to meet their host society's expectations and to avoid community's actions that may thwart operations. In this regard, when asked to clarify what s/he believed to be a social license to operate, participant P8 explained how companies may use social investment in a way that avoids conflict with the host community and, consequently, financial losses:

The social license to operate ... some companies, in my view, develop [social investment] to avoid taking over a great amount of legal liability [for damage to the community], which could lead to interruptions in operations. I think it's a lot to do with mitigating conflicts. These [social investment] are actions taken to avoid future problems that may impact the operations and consequently impact [the company's] finance. (P8 translated)

P8 clearly relates social investment to a preventive mechanism that avoids legal costs. In P8's segment, social investment mainly serves the operational interests of the company. Although *working around* discourses relate to defending the interest of the company—such as in *working on* discourses—*working around* discourses also reveal the understanding that social investment should also benefit the community. For example, another participant said

There is also [what I call] strategic investment, which is a way to make sure that the interests of the company are met at the same time that it generates local opportunities [for the community] in the long run. (P11 translated)

Participant P11 talks about two elements of social investment: to look after the interests of the company—since it is a business strategy—and to benefit communities. Morrison (2014) asserts that in a social license to operate there should be “an equitable balance, or harmony, between different societal interests that allow a specific activity to continue and to thrive” (p. 2).

Within *working around* discourses, the social license to operate also relates to compensatory claims. For example, participants described a need to 'give back' a parcel of what the company is profiting, thereby benefitting communities. One participant explains this below:

[...] That's a part of our business operations, or our business planning or your just our way of operating has to involve [...] giving something to a place where you are deriving profits and I think that even if we have our oil prices, you know, going down, and the problems



that they [O&G companies] are facing now. It ... can be argued that companies still are, the big ones, the larger ones are still for the most part profitable. [...] I think it is just a central way of just doing business that you've got to invest something in countries where you are coming to take something from. (P10)

P10 talked about benefiting the community as part of the company's business' strategy. Nonetheless, although not explicitly, P10's narratives indicated a level of 'apprehension' about companies taking the community's natural resources and generating impacts through O&G operations.

Similarly, *working around* discourses were also found in narratives that described social investment as a way to manage or mitigate the risks of O&G operations. Participant P3 included risks mitigation as part of her/his role when dealing with social investment: "And so social investment was one of my key role [s]. Er, understanding those risks and putting the right strategy for mitigation of risks as well as of execution of strategy" (P3).

P4, another participant, also gave an example as to how social investment may be used to cushion the impacts of O&G activities:

Well some of them (social investments) are very important to cushion the effects of O&G operations. And I give you one quick example: when you go to an area, a community in a river in [names country], where the means of transportation is water. There is on the rivers. You do navigation on rivers for travel and trade. If you've been in O&G operations, then, you will have big vessels. Travelling the same narrow waterways with small community vessels, so we definitely have to do something around marine safety campaign. [...] But it also happens to manage your operations so that you don't create accidents. (P4)

P4 aligned social investment to safety procedures. While P4 talked about how O&G social investment could be used to mitigate the impacts O&G activities generate, s/he also mentioned that such social investment is not a legal requirement: "We call it social investment because we recognise that some of the investment that you do to benefit the communities and the local area where we operate, some of them are voluntary, which is normal CSR". (P4)

P4's acknowledgement that some social investment is voluntary introduces another facet of *working around* discourses. That is, social investment under *working around* discourses is developed through a voluntary scheme, where a company's social investment goes beyond legislative compliance (Gunningham et al. 2004; Morrison 2014). In this vein, participants' quotes suggested that a concern with benefiting the community might indicate that participants do not entirely agree with some of the companies' activities. Yet, as O&G company employees, participants are constrained by institutional discourses and practices within the broader O&G realm. In order to work 'within/against' dominant institutional discourses, participants may look for alternative ways to deal with tensions between their own beliefs and company practices. For example, in the excerpts above, some participants saw social investment as a compensatory arrangement that allowed their own 'peace of mind', regardless of a country's legal requirements for O&G operations.

Participants also challenged social investment used for legal compliance purposes. Some drew on working for discourses to speak about social investment developed in response to legal requirements. I turn to these now.

### 9.5.3 Working for *Discourses*

*Working for* discourses position social investment as providing the host community with ‘social goods’ in response to legal requirements established by the host community. During an interview, participant AAPRM illustrated how his/her company had responded to the local community’s social demands:

So we have to provide [currency symbol] 8.5 million to the local government for social investment programmes... That was a condition of getting that particular permit... In addition to that, we do our own social investment, so up to the end of this year we will have spent [currency symbol] 5 million, so we have to give [currency symbol] 8.5 million to the local municipality and we also spent [currency symbol] 5 million ourselves. (AAPRM)

AAPRM’s accounts of social investment as a means to obtain a particular permit were particular to the legislation of that specific host country.

*Working for* discourses were closely related to *working around* discourses in the participants’ accounts. However, *working for* discourses revealed compulsory approaches to social investment, which was not the case in *working around* discourses. To illustrate the conflicting nature of social investment discourses, the subsequent quote reveals a participant’s paradoxical response when s/he was asked about the level of government interference in social investment:

What we have is not a legal compliance it is a voluntary compliance ... this company, which is a big group of companies, they belong to the government, but to a lesser degree, so the government doesn’t so far influence a lot the decisions. But like I said, we are going to have the [names major sports event] in [names country]. So that is ok, if the government makes my task ... to allocate some funds for these people [local athletes], which would make the country benefit from these people, from the image and everything. (P1)

Although P1 acknowledged that some social investment is ‘voluntary’ rather than a matter of compliance, s/he still had to respond to the government’s request. Other O&G experts also talked about compulsory versus voluntary social investment. For participant P2 social investment that is mandatory is not as rewarding as voluntary social investment, as s/he put it:

Outside the [O&G] industry, I developed actions [social investment]... that were very rewarding.... [names the institution] was an institution that derived from a private initiative and was totally voluntary. These experiences were very rewarding because we could, in fact, think and develop proposals that would impact people’s lives significantly. (P2 translated).

P2 went on to explain that s/he saw rewarding social investment as involving the voluntary development of programmes where s/he could participate in the project’s planning and development stages in order to assist communities. However,

according to P2, mandatory (legally required) social investment does not allow much space for a participatory approach in designing the social programmes.

An alternative view of social investment constructs it in terms of partnership between the company, government, communities and other stakeholders. All of the interview participants in my study constructed such an approach as the ideal approach to social investment. I discuss this below in terms of *working with* discourses.

### 9.5.4 Working with Discourses

*Working with* discourses reveal the understanding that the ‘ideal’ social investment is developed through a participatory approach where all parties are empowered and heard. When asked about who the parties should involve in such an approach to social investment, participant P3 stated

I think that I am looking at both civil society groups as well as it could be many different multinationals, aid agencies, it could be financial institutions as the World Bank, IFC, IPIECA, or whoever is involved in this project. So, I think that I am looking at very much as broad sector, but if I narrow down, it might just mean, eh, focus would be government, civil society groups or community-based organisation where these organisations are established and then just O&G companies. (P3)

*Working with* discourses are similar to *working around* discourses in that, within both discourses, social investment is seen as ideally reflecting both the firm’s objectives and the community’s interests. On the other hand, *working with* discourses reveal a view that (1) multiple stakeholders should be involved in designing and implementing social investment (such as the government, development agencies and NGOs); and (2), in order to fulfil all stakeholders’ interests, companies should engage in dialogue with a wide range of stakeholders and ensure that managerial decision-making is informed by such dialogue. When asked about rewarding social investment, participant P10 mentioned the importance of having stakeholders truly engaging in developing social investment:

... What is required to make a good one [social investment] is real involvement from all sides, community participation, you know some volunteerism, ... in addition to the money and the people that are paid to do it, but you know, it requires, like a community spirit to really undergird any project, to make it last, to make it acceptable, to make it sustainable. So more of that is needed here and in most places I’ve worked, because it is still something that everyone doesn’t intrinsically just grasp you know. (P10)

P10’s interview extract suggests that good social investment requires genuine engagement from the company, the community and the people being paid. Nonetheless, obtaining such engagement is not an easy process. For instance, participant P4 recounts some of the difficulties s/he felt when trying to shift the focus from a top-down, company-oriented approach to a participatory community-oriented approach:

We move to the point where we get them [community] to participate in doing it [social investment]... Um, so getting this simple process done is always very, very, challenging. Because the moment you say that there is an opportunity of a contract in your community, who is going to do this work for you, we will fund it, then one single team before becomes divided. Everyone wants to do the job and to have the contract done and score it. And in many times you create a lot of tensions in the communities. And we now have to start managing these tensions as well. (P4)

Although *working with* reflects the ‘ideal’ type of social investment, P4’s quote reveals that having a community-centred social investment is rather problematic. On the other hand, P4’s expert actually draws on a *working on* discourse when s/he claimed the difficulties faced in a *working with* approach. This suggests that developing *working with* social investment is neither linear nor simple.

Another participant, P3, participant P3 described how complicated participatory approaches may be on the ground:

If O&G companies have [a] most beautiful social investment strategy, an effective execution of that strategy depends on number of different factors. ... there are still issues where companies just face up to a number of challenges, which are beyond their control and just would be beyond their responsibilities. So that is one issue: just clarity around role responsibilities. Who does what and what is the time frame. .... Secondly, I think it is to do with capability of partner organisations. ... And when I say partner organisation I am looking at either NGOs or civil society groups or consultants of the company, which are especially in development issues. And third is the sustainability of these projects so, many companies just come in and they set up very high level strategies, social investment strategies, and most of the time they miss the opportunity. We are all excited, we implement it and we do it with good will but we don’t realise government is not involved. When the government is not involved upfront, it creates a sense of instability of their part, because it becomes a major challenge... (P3)

P3’s account indicates how complex it can be to *work with* companies in developing social investment. In addition, P3’s excerpt reveals how interdependent different stakeholders are to achieve meaningful social investment as a partnership. Additionally, P3 highlights how vital it is to have companies allocating the right expertise to each programme. P3 suggests one answer to the challenges P4 identified in taking up a *working with* approach to social investment. That is, conflicts could have been lessened if decision-making processes were already established that allowed multiple stakeholders to work together to benefit the whole community.

Social investment under *working with* discourses reflects the understanding that social investment should empower communities, through a participatory approach. Such an approach requires partnership between civic organisations, government, local stakeholders and the company. In addition to that, *working with* discourses reveal a concern with adapting to the local culture and dynamics of each community.

## 9.6 Concluding Remarks

In this chapter, I have presented an analysis of interviews with O&G social investment experts. I identified four dominant discourses which emerged in the interviews, describing these as *working on*, *working around*, *working for* and *working with* communities. However, multiple discourses emerged in most participants' accounts and in the guidelines documents, resulting in apparent tensions and contradictions. Participants both took up and resisted *working on* discourses and suggested alternative ways of conceptualising social investment. I describe these in terms of *working around*, *working for* and *working with* discourses.

O&G social investment is likely to be most effective in assisting host communities if framed in relation to *working with* discourses. This is because social investment that entails a participatory approach involving collaboration between the government, community, firm and other stakeholders may better address the interests of the local community, empower all groups involved and restore the social balance of power (Frynas 2009a). However, as evident in the participants' narratives, *working with* communities is not simple work; it requires and the development of decision-making processes and strong partnership that goes beyond the company and host community relationship. Such partnership is based on trusting and engaging relationships between the company, local communities, local civic groups, NGOs and local government. Although this study was small in size and scope, it usefully highlights the contradictory nature of O&G social investment, and the complex position of social investment personnel, particularly when their personal views may be at odds with institutional policies and practices. Further research is needed that explores how the discourses identified in my interviews actually impact social investment on the ground.

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**Part III**  
**Organisational Perspectives**



# Chapter 10

## The Linkages Between CSR, Social Capital and Small Enterprise Development in a Large Company's Supply Chain

Risa Bhinekawati

**Abstract** This study develops a theoretical model of the linkages between the concepts of sustainable development, CSR, social capital and corporate sustainability. It investigates the process under which a strategic CSR program of a company actually builds the capacity of small enterprises, thereby improving the company's supply chain and sustainability. This research used an exploratory qualitative case study to understand the evolution of the linkages between sustainable development, CSR, social capital and corporate sustainability longitudinally, from 1980 to 2011. Primary and secondary data from company documents, archival records, interviews and observations were analysed to develop a theory. A single case study of micro, medium and small enterprise development (the MSME program) of Astra International (Astra) in the context of Indonesia was chosen as an exemplary case study for theoretical or purposive sampling. The study finds the importance for company to play both public and private roles in achieving its triple bottom line in developing countries. Astra's CSR program is driven by the company's intention to fulfil its needs of strong supply chain by solving the issue of low capacity of MSMEs in Indonesia. By conducting the MSME program, the company builds social capital that improves the capabilities of the owners and workers of small enterprises along the company's supply chain, so they become reliable partners in achieving the company's sustainability objectives. The theoretical model from the research can be replicated by other companies operating in emerging economies. This research adds to the growing number of developing country case studies, particularly from Indonesia, a very large developing country that has been under-researched.

**Keywords** Corporate social responsibility • Developing countries • Indonesia • Small enterprise development • Social capital • Sustainable development

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## 10.1 Introduction

By 2030, the United Nations aspires to achieve its sustainable development goals in poverty eradication and inclusion of the poor in productive economic activities (UN 2015). However, until recently there have been debates in the literature about the role of companies in dealing with broad social issues in developing countries, and the need for empirical research to investigate how large companies play their ‘public roles’ in improving social condition in such context. The literatures on sustainable development, corporate social responsibility (CSR) and corporate sustainability are interrelated but need to be clarified, especially in the context of developing countries. Some experts strongly argue for social capital as an alternative way of improving the livelihood of low-income people in developing countries, but empirical evidence is needed to support this. Therefore, this research has two objectives. First, to investigate the actual role of a large company in contributing to sustainable development in a developing country, and second, to explore why and how the concepts of sustainable development, CSR programs, social capital and corporate sustainability are interrelated and evolve over time.

Drawing on evidence from experience of Astra International (Astra), one of the largest public-listed companies in Indonesia, this case study shows that a large company can play important roles in contributing to sustainable development goals through its CSR program and social capital development. The company’s program in empowering micro, small and medium enterprises (the MSME program) has improved the capabilities of MSMEs to participate in the company’s supply chain; thereby contributing to simultaneous achievements of the company’s triple bottom line. The empirical findings from this study confirm the theoretical framework of the linkages between sustainable development, CSR programs, social capital and corporate sustainability.

## 10.2 Literature Review and Theoretical Framework

Despite the presence of global value chains and foreign direct investments, developing countries still suffer from sustainable development issues such as poverty, inequality, social exclusion for the poor and environmental degradation (UNDP 2014). Globally, half of the world’s population, or 2.7 billion people, live on USD2.50 a day, and 1.2 billion of these live on less than USD1.25 a day with more than 2.2 billion people vulnerable to ‘multidimensional poverty’ (UNDP 2014, p. 19). Until recently, the benefits of trade, foreign direct investment and global value chains are still captured by multinational corporations (MNCs), while the developing countries only get minimal benefits of globalisation, thus contributing to inequality between rich and poor countries (UNDP 2014, p. 111). As such, sustainable development becomes central to the CSR agenda in developing

countries and companies are expected to play their roles in improving social conditions through their CSR programs (Scherer and Palazzo 2011; Visser 2009).

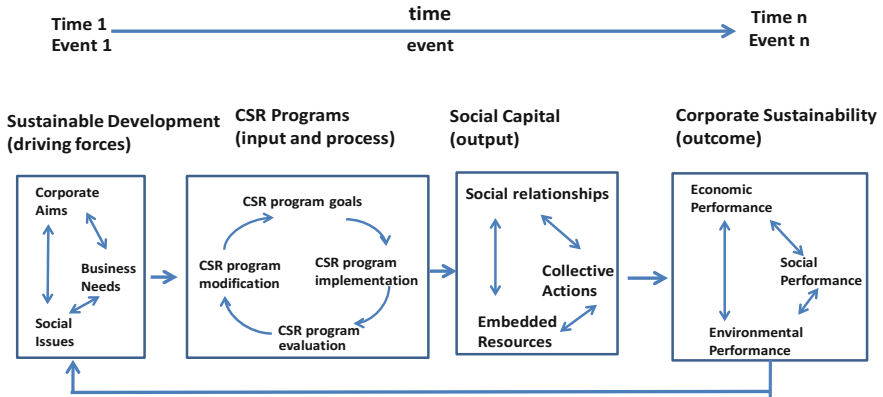
The literature review reveals the expected roles of companies in contributing to sustainable development goals, as well as potential theoretical linkages between the concepts of sustainable development, CSR, social capital and corporate sustainability in the context of a developing country. Definitions of the four concepts are operationalised for the purpose of this study in as follows (Table 10.1).

Theoretically, the links between sustainable development, CSR programs, social capital and corporate sustainability in the context of developing countries can be explained. A summary of the process under which the four concepts are interrelated and can be depicted as a theoretical framework as shown in Fig. 10.1.

Firstly, the social and environmental issues in developing countries require the company to play ‘political’ or ‘public roles’ in contributing to sustainable development (Scherer and Palazzo 2011) because of philosophical (intrinsic) and pragmatic (extrinsic) reasons. Basu and Palazzo (2008) argue that intrinsic rationales are ethical justifications for CSR that go beyond meeting stakeholder demand, instead aiming at solving universal issues such as poverty, while extrinsic reasons include more pragmatic activities such as licence to operate and reputation (p. 122). Further, Porter and Kramer (2006) posit four different main reasons for companies to conduct CSR programs that deal with social issues: moral obligation, sustainability, licence to operate and reputation (pp. 4–5). The arguments of Porter and Kramer (2006) and Basu and Palazzo (2008) are intertwined. The intrinsic rationales to solve social issues, and extrinsic reasons of undertaking CSR programs, if executed

**Table 10.1** Operational definitions of sustainable development, CSR programs, social capital and corporate sustainability

Concepts under study	Operational definitions
Sustainable development	‘Development which meets the needs of the present without compromising the ability of future generations to meet their own needs’ (Brundtland 1987, p.8) or ‘simultaneous pursuit of economic prosperity, environmental quality and social equity’ (Elkington 1997, p. 397)
CSR	‘The social responsibility of business encompasses the economic, legal, ethical and discretionary expectations that society has of organisations at a given point in time’ such responsibilities should be integrated into corporate actions (Carroll 1979, p.500)
Social capital	The resources or capabilities that are generated through a ‘durable network or relationships of mutual recognition’ (Bourdieu 1986) that facilitate cooperation and collective action (Coleman 1990; Putnam 1995), which generate positive outcomes (Uphoff 2000). It consists of bonding, bridging (Szreter and Woolcock 2004, pp. 654–655) and resources embedded in network ties (Lin 1999a b, p. 33)
Corporate sustainability	‘Simultaneous achievement of economic, social and environmental performances of the company so-called a “triple bottom line”’ (Elkington 1997, p. 397)’



**Fig. 10.1** Theoretical framework: The interrelationships between sustainable development, CSR programs, social capital and corporate sustainability

appropriately, will generate sustainability to the company, as well as improve the capabilities and living conditions of the community.

Secondly, a company should find a strategic fit between its corporate aim, the social issues where it operates and its business needs, and integrate them into its corporate structure and strategy (Zadek 2007). Aside from the importance of CSR programs in solving social issues, companies need to choose social issues that intersect with their corporate objectives (Porter and Kramer 2006); that is, to find win-win relationship between social issues and business needs to achieve company's strategic objectives (Pearce II and Doh 2005). Porter and Kramer (2006) call the social issues that affect the competitiveness of companies in the locations in which they operate the 'social dimensions of competitive context' (p. 10), with examples including shortages of both quantity and quality of business inputs, and weak local supporting industries (p. 9). However, there are challenges in managing CSR for sustainability because companies and managers struggle to balance short-term costs with long-term objectives (Porter and Kramer 2006, p. 12).

Thirdly, the process of goal setting, implementation, evaluation and modification of CSR programs enables related stakeholders to interact in achieving their common goals, thereby enhancing the social capital. The integration of CSR into corporate structure and strategy will enable the company to embrace CSR processes into its day-to-day operations (Doppelt 2003). The management process of institutionalising CSR programs involves the internal and external stakeholders of companies (Freeman 2010). According to Van de Ven and Poole (1995, p. 520), such a cycle of management process is the 'motor' that can produce change. This management process allows the focal actor to interact with its stakeholders over time, which is a precondition of social capital development (Bourdieu 1986). The long-term relationship allows the company, as the initiator of the CSR program, to act as the focal actor that strengthens the social network or relationships—the bonding and bridging—among the parties in the program (Szreter and Woolcock

2004; Uphoff 2000). Once these social relationships are developed, it is expected that the shared resources like economic capital, human capital owned by people in the network, ways of working or shared norms and trust will increase over time (Coleman 1990; Fukuyama 1995). The enhanced social capital would then facilitate the actors to work together towards a common purpose (Putnam 1995, p. 67), thus proving mutually beneficial to both the company and its related stakeholders.

Finally, the enhanced social capital facilitates co-creation of shared value to contribute to the company's sustainability. The enhanced social capital—social relationships, shared norms and trust—create and reinforce interdependence, which supports collective action (Uphoff 2000, pp. 215–218). In collective action, people in the network combine and exchange their resources to achieve common objectives (Nahapiet and Ghoshal 1998). When the companies integrate stakeholders into their strategic CSR programs, it is expected that the social capital will be established, because the company and its beneficiaries invest more time, share more information, grow more connected and become more interdependent (Coleman 1990). Such social connectedness and collective actions enable the co-creation of value between the company and community (Kirchgeorg and Winn 2006). In other words, the established social capital can generate a virtuous cycle for the company, community and other relevant stakeholders, where the risks of CSR can be mitigated and the shared value are created, while achieving the company's economic, social and environmental performance simultaneously. In return, the simultaneous achievements of a company's economic, social and environmental performance will loop back to sustainable development.

From the literature review, research gaps are identified that require further study. Firstly, CSR in developing countries is under-researched, particularly concerning the roles of companies in contributing to sustainable development (Fukukawa 2014; Visser 2009). This is especially the case in regards to companies playing extended roles in building the capabilities of low-income people along their supply chain (Ansari et al. 2012; Scherer and Palazzo 2011), as well as situations where companies and their communities can co-create value to achieve the economic, social and environmental goals of the company while also improving the livelihood of the community (Ansari et al. 2012). Such gaps generate the need for empirical research on corporate motivations and internal structures and governance that enable companies to generate sustainable value for themselves and prosperity for society (Ansari et al. 2012; Scherer and Palazzo 2011; Visser 2009).

Secondly, social capital development has been seen as a way for companies to improve the capabilities of poor communities, but empirical evidence is needed to support this proposition (Ansari et al. 2012). Besides, there is a need for research that can explain how various concepts of social capital such as bonding and bridging (Portes 1998) develop and evolve over time in improving social structure and welfare of the people (Granovetter 2005, p. 47).

The gaps in the literature call for a thorough study about the actual linkages between sustainable development, CSR programs, social capital and corporate sustainability in the context of companies operating in developing countries.

### 10.3 Research Context

The research gaps require a study that can illuminate the roles of a large company in contributing to sustainable development of a developing country through its CSR program. Accordingly, the study is conducted in Indonesia is a large developing country with 255.2 million people (BPS 2010) living in the archipelago. A case of MSME development conducted by a large company is chosen because of several reasons. Firstly, the Indonesian economy is still largely dependent on micro enterprises, which are defined as enterprises operating with net assets of less than USD5,263 and employing between one and 19 workers (Mardjuni 2010). Micro enterprises accounted for more than 50 million or 98% of total business units in Indonesia in 2008, as compared to around 520,000 units of small enterprises, around 39,000 units of medium enterprises and approximately 4000 units of large enterprises (Tambunan 2010). Micro and small enterprises provide the livelihood for over 90% of the country's workforce, especially women and youth in rural areas (Tambunan 2008). The majority of micro and small enterprises are self-employed enterprises without hired wage-paid workers (Tambunan 2008). By 2008, total workers absorbed by micro enterprises reached more than 83 million people, compared to almost 4 million people in small enterprises, around 3 million people in medium enterprises and almost 3 million people in large enterprises (Tambunan 2010).

Secondly, although the capacity of micro and small enterprises remains weak, due to major constraints such as lack of capital, lack of access to business information, difficulties in marketing and lack of technical competence, these enterprises are the engine of Indonesian economic growth and the source of income for poor families in local economies and communities (Tambunan 2008). Micro and small enterprises are also a source of entrepreneurship, especially in rural areas (Tambunan 2008), and they became the backbone of Indonesian economic recovery following the economic crisis in 1997/1998 (Mourougane 2012). MSMEs' contribution to Indonesian GDP reached USD274.20 billion or 62.48%, compared to large enterprises which reached USD164.65 billion or 37.52% of GDP in 2008 (Tambunan 2010).

Thirdly, the empowerment of MSMEs can contribute to regional development, especially in generating employment, local income and local economic growth, and eradicating poverty. Large corporations can play a significant role in empowering MSMEs by building their capacity and providing them access to products through transfer of technology and subcontracting arrangements (Tambunan 2009). However, although MSMEs have the potential to act as embryos of entrepreneurship, especially in rural areas of Indonesia (Tambunan 2008), it may be expensive and risky for large companies to partner with MSMEs because of the latter's poor skills and minimal knowledge about how to absorb new technology and management practices (Tambunan 2009). Large companies consider that the process of technology transfer requires intensive and long-term tacit knowledge transfer, which, between MSMEs and large companies, is very difficult to achieve (UNCTAD 2007).

## 10.4 Research Approach

The data presented here are drawn from a larger study of CSR practices of one of PT. Astra International (Astra), one of the largest public-listed companies in Indonesia.

### 10.4.1 Case Selection

Using Patton (1990) and Yin (2009) criteria of theoretical or purposive sampling, the MSME program of Astra can be considered an exemplary case study because of its uniqueness to illuminate the phenomena under study, that is, the linkages between sustainable development, CSR, social capital and corporate sustainability. Astra started as a family business in 1957, Astra employed 221.046 employees across its 198 subsidiary companies in 2015 (Astra International 2015). The company has always been selected as a responsible and sustainable investment from 2009 to 2014 (Kehati 2015). Despite the challenges facing large companies in building MSME capacity (Tambunan 2009; UNCTAD 2007), Astra decided to nurture and include MSMEs into its supply chain by conducting the MSME program through its “Dharma Bhakti Astra Foundation” (YDBA) since 1980. As part to Astra’s value chain, Astra has given YDBA a mandate to be Indonesia’s leading institution in nurturing and developing MSMEs in the country (Dharma Bhakti Astra Foundation 2010). As of 2013, Astra has empowered 8106 MSMEs which employ 55,191 workers, both related and unrelated to Astra’s business, across Indonesia. Related MSMEs include component manufacturers, motorcycle and car workshops, and MSMEs located in proximity to Astra plantations and mining operations. Unrelated MSMEs include furniture and handicraft businesses. Most of the MSMEs (6322 of the total 8106) developed by YDBA were members of YDBA’s Business Development Agencies (LPBs) and Micro Finance Institutions (LKMs). These LPBs and LKMs are YDBA’s arms to reach out to MSMEs in nine provinces of Indonesia, and have been established by YDBA in cooperation with external institutions and Astra’s affiliated and subsidiary companies.

Accordingly, this research is designed as a single qualitative case study (Yin 2009; Eisenhardt 1989), with Astra’s MSME program as the case study. The adoption of a case study approach is consistent with other empirical studies of CSR in other developing economies conducted by other researchers like Bradly (2015), Idemudia (2011), and Yu (2008).

### ***10.4.2 Data Collection, Data Analysis, and Theory Development***

The primary data of the study were derived from in-depth interviews with corporate players and CSR program beneficiaries about the company's motivation and the process under which the CSR program built social capital that contributed to MSME development. A total of 32 informants were interviewed individually or as a group with duration between 15 min and 2 h per interview. Respondents consisted of 13 owners of MSMEs; management of Astra International (7 respondents); managers of subsidiary company of Asra International (12 respondents). The secondary data were gathered by conducting desk research of company documents and archival records to trace the development of the company's MSMEs program for over 30 years.

The steps of data analysis being implemented in this study include: analytical chronology, within-case analysis; pattern matching, and explanation building (Eisenhardt 1989, p. 540). After within-case analysis was done, the empirical findings were compared with the theoretical framework through 'pattern matching' (Yin 2009, p. 136) or analytical generalisation (Meyer 2001, p. 347) where a previously developed theoretical framework is used as a template with which to compare the empirical results of the case study (Yin 2009).

A theoretical model was developed by showing the connections among the concepts (Corley and Gioia 2011) of sustainable development, CSR programs, social capital and corporate sustainability which are lacking in the extant literature, thereby filling the research need regarding the roles of large companies in dealing with sustainable development challenges of developing countries (Ansari et al. 2012; Scherer and Palazzo 2011).

## **10.5 Research Findings**

Since the beginning of the program in 1980, the history of the MSME program can be divided into five episodes: (1) MSME program as pure donations (1980–1984); (2) bridging MSMEs with corporate competence, markets and finance (1985–1994); (3) expanding strategic partnerships among stakeholders (1995–2005); (4) full integration into corporate strategy and value chain (2006–2010); and (5) integration into Astra's aspiration to be the pride of the nation (2011–2020).

Based on the analytical chronology of the MSME program, the evolution of linkages between the driving forces (the corporate aim, social issues and business needs), the inputs (CSR programs), the outputs (social capital) and outcomes (corporate sustainability) of the MSME program can be summarised in Fig. 10.2. The subsequent sections explain why and how the concepts of sustainable development, CSR programs, social capital and corporate sustainability evolve over time in the case study.



### 10.5.1 Sustainable Development and the MSME Development Program

As shown in Fig. 10.2, Astra’s corporate aim “to prosper with the nation” has enabled the company to consider a workable match between social issues and business needs. Bringing prosperity to Indonesia became the obsession and lifetime

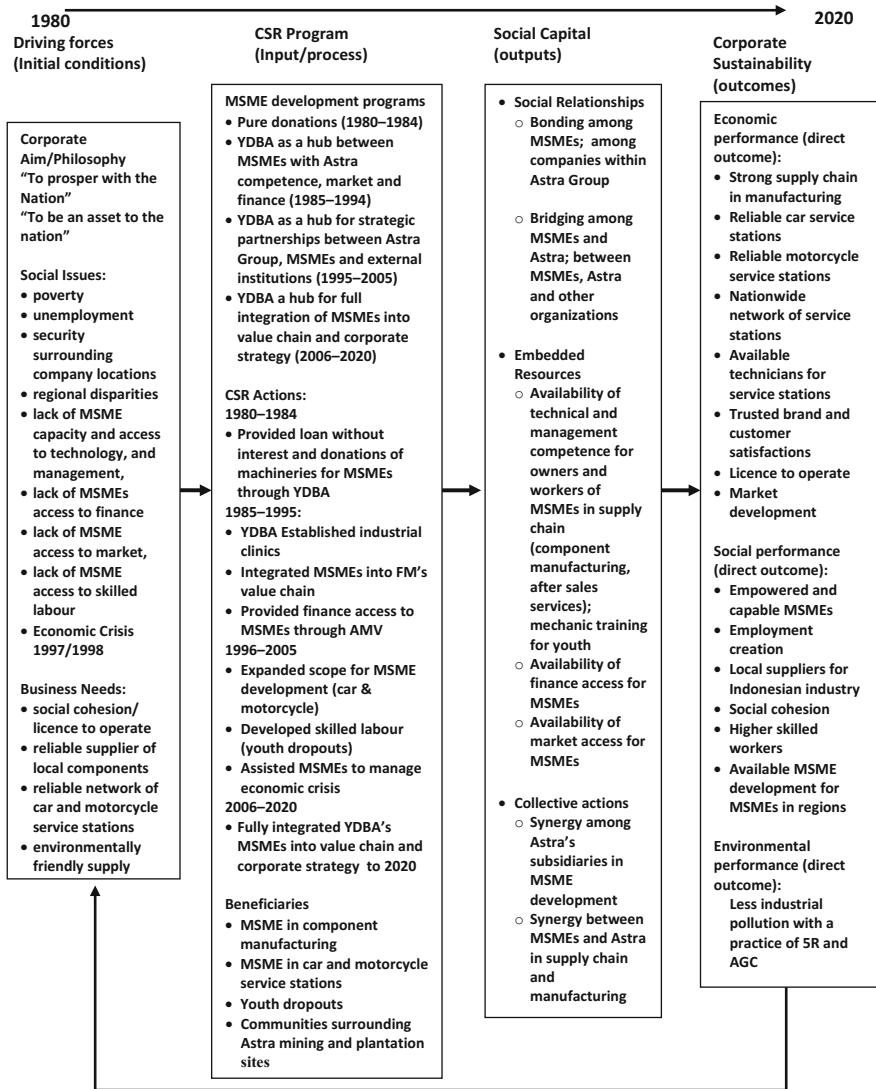


Fig. 10.2 The linkages between driving forces, CSR programs, social capital and corporate sustainability of the MSME program

aspiration of Astra founder. Being of Chinese origin, William Soeryadjaya had lived through bitter challenges and difficulties: having to evacuate during the war; being put in prison and having his assets confiscated due to political turmoil; and having his premises burned down due to ethnic conflict, social jealousy and poverty (Pambudi and Djatmiko 2012). He frequently said,

Why do people have to work? Because if people get the job they can live decently; if they live decently, there will be less conflict and social unrest. Every time we provide one job, we reduce one risk of somebody committing crime. If the people of Indonesia become prosperous, there will be less likelihood of crime in this country. (Pambudi and Djatmiko 2012, p. 311)

Moreover, Astra considers the MSME development program, based on mutual partnership with large companies, important to achieve the corporate aim ‘to prosper with the nation’ and to fundamentally eradicate poverty, as expressed by Mrs Rini Soewandi, former President Director of Astra:

MSME are lacked in human resources, information, market, technology, finance, business capacity, QCD and entrepreneurship mentality. Without improving MSME capacity in those areas, any financial assistance and facilities may not be able to uplift MSMEs; it may jeopardise the spirit of MSMEs. MSME development should go beyond charity; it should empower MSMEs and bridge the MSMEs with large companies based on mutual partnership. (Dharma Bhakti Astra Foundation 1996, p. 5).

Indeed, the case analysis confirmed that in Indonesia, MSMEs have high risk potential and are not bankable with low production capacity; therefore, they need help from large companies to uplift their level of quality, cost, delivery and innovation. Such assistance to MSMEs is provided by Astra through YDBA. The commitment of Astra’s leaders to the corporate aim enables corporate managers to make long-term investments in MSME development, and guides them in dealing with external challenges and crises. The investment for MSME development requires patience and strategic vision because it takes a long time before the owners and workers of MSMEs can generate products and services to the standard set by Astra. And yet, Astra understands that long-term investment is important, because what they build is not only competence but also network and emotional linkages with communities, which will benefit the company in the long term.

In fact, the commitment of Astra was tested during the Asian economic crisis in 1997/1998. This research confirmed that during the economic crisis, Astra was technically bankrupt, but the management of Astra decided to continue their support to MSMEs and retained their employees.

In sum, as shown in Fig. 10.2, sustainable development goals are in line with Astra’s aim ‘to prosper with the nation’. It is the driving force and the purpose of Astra’s founder in doing business, including in developing MSMEs in Indonesia.

### ***10.5.2 The MSME Program Formulation and Implementation***

Figure 10.2 shows that the MSME program has evolved from philanthropy in 1980 into being part of the strategic value chain for Astra by 2010, and will continue at least until 2020. Interviews with the program stakeholders confirmed that Astra integrates MSME program into its corporate policy, organisation structure, resource allocation and management cycle, so it can build sustainable relationships with internal and external stakeholders in coordinating corporate actions towards common goals.

The YDBA organisation is embedded into Astra's organisation structure. At the corporate level, the CEO, the Board of Directors and senior management of Astra and its subsidiary companies serve as the Governing Board, Supervisory Board and Executive Board of YDBA. At the YDBA level, the corporate office of Astra and its affiliated/subsidiary companies assign a dedicated PIC to support the executive office of YDBA.

By having support from top management of the corporate and subsidiary companies sitting at the Governing Board, Executive Board and Supervisory Board of YDBA, the Foundation is empowered to implement its MSME development program to bring sustainable values to the company and the MSMEs in Indonesia. This study affirmed that coordination between YDBA and subsidiary companies are smooth because there are dedicated 'persons in charge' and teams from subsidiary companies who are supporting the YDBA for MSME development program. Furthermore, MSME development programs become strategic actions, and are included in the management cycles and KPIs of Astra and its relevant subsidiary companies. Overall, the success of MSME development programs is directly connected to the achievement of Astra and its subsidiary companies.

Nurturing MSMEs is related to Astra's business needs and core competence so synergy can be established between Astra and its CSR beneficiaries. Astra could actually reduce costs by working together with MSMEs which are eager and committed to building win-win relationships in manufacturing process, although they still do not have the capability nor the capacity to produce the products up to Astra standards. Similarly, in choosing MSMEs that want to develop their service stations, Astra would choose those which are located in remote areas of Indonesia, where Astra's presence is expensive and difficult, so Astra's assistance would bring win-win solutions for MSMEs and Astra. Astra also strives to introduce its professional standards in CSR, such as through its environmental standard, the Astra Green Company, although in its implementation, the transfers of know-how are tailored to the MSME characters so they feel comfortable in following Astra's path.

Overall, in the context of a weak supply chain, poverty and the poor conditions of MSMEs in Indonesia, Astra has established organisational action and policy to deal with such social issues by involving its internal and external stakeholders. The corporate policies and actions in MSME development programs have benefited both Astra and its MSME partners.

### ***10.5.3 The MSME Program and Social Capital Development***

Figure 10.2 shows the linkages between the MSME program and social capital. Stakeholders of the MSME program confirmed that the program has developed social capital in terms of social relations, embedded resources for the program and collective actions between Astra and the program beneficiaries to achieve sustainability goals.

#### **10.5.3.1 Development of Social Relationship and Capabilities of MSMEs**

The presence of YDBA as the focal actor is needed as the hub of different stakeholders. YDBA functions as the facilitator that integrates Astra's competence and resources with the needs of MSME development. Similarly, the availability of the YDBA gallery also functions as a hub between MSMEs and the market. The owners of MSMEs confirm that YDBA plays a very important role as a forum for MSMEs to make friends, solve problems and get financial assistance and market information. They see YDBA as the forum that unites MSMEs with the span of their network throughout Indonesia.

With facilitation from YDBA, the bonding among MSME owners is established. YDBA is perceived as a foster parent by MSMEs. The bonding built by YDBA has enabled MSMEs to tap into bigger market opportunities as they tackle customer orders together; they can also get information and go to exhibitions together, and exchange thoughts and information for business opportunities. Furthermore, the bonding has also allowed knowledge generated from Astra to be retained and expanded by MSMEs within their community, so they can solve problems together.

The presence of YDBA has also improved the bridges between MSMEs with other parties who are previously not connected with them. YDBA has bridged managers from subsidiary companies of Astra who otherwise do not have information in sourcing MSMEs who are developed by different subsidiary companies of Astra. YDBA also bridges MSMEs, Astra and other relevant stakeholders that enhance resources in finance, working capital and business development. Overall, the beneficiaries of the MSME program feel that they have been lifted to the next level by YDBA as they are given training in Astra facilities and treated as respected people. When they are bridged with successful MSMEs, they are inspired to consider that small companies can become large and independent companies.

#### **10.5.3.2 Embedded Resources for the MSME Program**

The MSME program has made Astra resources available to MSMEs. Such embedded resources include access to management and technical competence for

component manufacturers as well as car and motorcycle service stations; access to finance and markets; access to Astra brands and spare parts; Astra referral; and also access to skilled workers developed by YDBA.

In terms of technical management competence for MSMEs, YDBA and affiliated companies established 28 training and development modules for MSMEs, which cover topics in management, technical/manufacturing, service stations, farming and husbandry community income generation activities. YDBA cooperated with affiliated/subsidiary companies, Astra Manufacturing Polytechnic and Astra Pensioners' Group, who served as facilitators of training.

YDBA provided a yearly schedule of training for MSME owners and employees, and they regularly send their employees for technical and management training designed to meet the needs of MSMEs. Similarly, owners and workers of car and motorcycle service stations receive regular technical and management training and competence development from YDBA. In addition, they get access to skilled technicians who have been trained by YDBA for their service stations.

The MSME program has also given access to finance for MSME program beneficiaries. The financing not only comes from AMV but also from banks and CSR funds from state-owned companies which are channelled through YDBA. The financing provided by AMV is tailored to the needs of MSMEs, based on their capability to repay and to grow their business sustainably. In doing so, AMV has managed to get good repayment from MSMEs, with the non-performing loan rate less than 0.5%. MSME owners really appreciate the way AMV and YDBA provide financing for them as they trust AMV will coach and assist them to manage their financing.

With regards to access to market, YDBA also bridges MSMEs with subsidiary companies of Astra that need suppliers, or partners in after-sales services such as the Astra insurance company. Indeed, Astra manufacturing facilities offer a captive market for MSMEs, but YDBA encourages them to go beyond Astra's market by facilitating MSMEs to expand their markets by sponsoring travel to exhibitions.

At the operational level, MSMEs see Astra as a role model, as they practice what Astra has been practicing in their operational excellence such as wearing uniforms, safety gear and shoes. They also have regular briefings and meetings with employees for better communications, and conduct regular audits to ensure that their operations follow Astra standards. Furthermore, MSMEs have also practiced the standards of environmental, health and safety which are stipulated by Astra Green Company (AGC). They understand that the practice of clean production is important regardless of whether they get ISO certifications or not, as long as they follow Astra's path. Astra, as the coach, understands the difficulties in implementing the AGC standards for MSMEs and has modified the standards accordingly.

### 10.5.3.3 Collective Actions for Common Goals

As shown in Fig. 10.2, the enhanced bonding and bridging, as well as access to resources available to MSMEs have increased collective actions between Astra and the MSME program beneficiaries in achieving sustainability goals for both. The MSMEs have grown and become capable of meeting the quality, cost and delivery (QCD) requirements of Astra, and Astra has gotten partners in its supply chain. Because of Astra's reputation in the MSME program, other companies cooperate with YDBA in managing their CSR funds.

In the long term, when the small enterprise gets bigger and become self-reliant (they do not have any more debt to Astra), they still feel that they have moral obligations to remain connected with Astra. Although it is not intentional, such moral obligations have been good for Astra's business, because the enterprises always come back to Astra when they need Astra products and services.

The above evidences have shown the evolution of linkages between the MSME program and social capital. According to Lin (1999a), the volume of social capital of organisations or individuals is equal to the amount of network status such as wealth, power and status of others which can be accessed by individuals in the network; contact status like positions and authority; network bridges and strength of network ties (bonding) (p. 37). Based on Lin's definition, it can be concluded that the MSME program has improved the total social capital for Astra and its stakeholders.

## 10.5.4 Social Capital and Corporate Sustainability

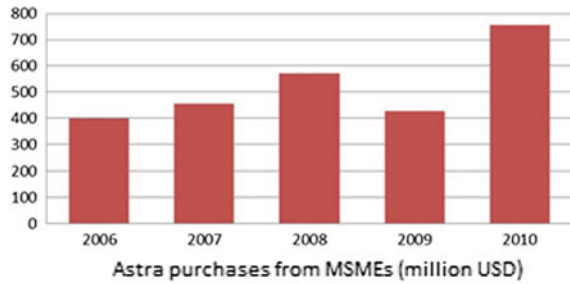
Figure 10.2 shows that in the case of the small enterprise development program, the enhanced social capital has contributed to Astra's economic, social and environmental performances.

### 10.5.4.1 Economic Performance: Supply Chain Improvement

Economic performance generated from social capital through the MSME program represents a win-win gain between Astra and its MSME network. This study confirmed that the MSME development program has generated many economic benefits for Astra, including a network of strong supply chains of automotive components; a nationwide network of reliable car service stations; a nationwide network of reliable motorcycle service stations; new markets for Astra products and services; a reputation as a caring company; trusted brand/consumer satisfaction and employee satisfaction.

To illustrate, since the full integration of YDBA into Astra's corporate strategy and value chain in 2006, there has been a steady increase in Astra's purchases from

**Fig. 10.3** Astra's purchases from MSMEs (Source: Dharma Bhakti Astra Foundation 2011, 2012)



MSME subcontractors (except in 2009, due to the global economic crisis of 2008) as depicted in Fig. 10.3.

During the 30 years of the YDBA journey with MSMEs, Astra has gradually built a strong network of supply chains of automotive components, with suppliers that can deliver good quality components with just-in-time delivery within the agreed cost. As such, the contribution of MSMEs to Astra's business becomes very clear, as they can produce products with Astra's QCDI (quality, cost, delivery and innovation) standards (Widianto 2011). The network of Astra suppliers became very strong because the first tier suppliers, which directly supply to Astra, have second and third tiers that supply the first tier. From the point of view of MSMEs, being in business with Astra has given them opportunities to grow their business sustainably and many of them have increased their size from small companies to become medium and even large companies.

In the area of service stations, the MSME program has been able to expand the after-sales services for Astra cars throughout the region. For example, out of a total 179 service stations of Daihatsu, 45 are owned by Astra; 55 are run by dealers; 45 are authorised workshops and the remaining are independent workshops which are assisted by Astra through the MSME development program (Utomo 2011). Support from Astra has improved service quality and customer trust in independent service stations. Similarly, Astra has also benefited from the MSME development program in motorcycle service stations. For instance, currently there are around 300 independent service stations assisted by Astra in remote areas of Kalimantan and Sulawesi that provide services for motorcycles according to Honda's standard. Such presence in remote areas is possible because YDBA has community development cooperation Astra subsidiary companies in mining and plantations (Argianto 2011).

Interestingly, the MSME program has developed the market for Astra products. For instance, because of YDBA training for motorcycle mechanics in remote areas of Indonesia, Honda brands have become prominent and the choice of local government when they procure motorcycles. Besides, many small enterprises by 2011 become large enterprises with sales of over IDR15 billion (USD 1.6 million) per month; they in turn become customers of Astra when they need trucks, cars or even motorcycles for their employees.

Another contributor to the economic performance of Astra is its reputation as a caring company. Sometimes YDBA did not even know that they have been covered

by local newspaper when they provided training to local people. Due to its consistent approach of ‘walk the talk’, people sometimes just accept that Astra is a good company. Furthermore, Astra enjoys the reputation of having a good brand with good customer satisfaction, because the mechanics are trained to handle Astra products. Owners of MSMEs confirm that YDBA has been very genuine in helping them prosper. Finally, Astra culture and the good reputation built from the MSME program also influence employee satisfaction and retention. They are proud of being Astra employees.

#### 10.5.4.2 Social Performance: Prosperity for Many

Figure 10.2 presents the social performance of Astra through the MSME program. The program has built capable, competitive and prosperous MSMEs; improved capabilities of Indonesian manufacturing industry to produce local content; created employment through MSME network; influenced better working conditions for employees of; produced higher skilled workers; developed the availability of service stations for lower income customers and developed the availability of finance access which is suitable for the characters of MSMEs. Table 10.2 shows the numbers and types of MSMEs developed by YDBA.

As shown in Table 10.2, YDBA has strengthened the capacity of 8106 MSMEs, employing 55,191 workers by 2013, both related and unrelated to Astra’s business, across Indonesia (Widjaja 2014). Related MSMEs include component manufacturers, motorcycle and car workshops and MSMEs located in proximity to Astra plantations and mining operations. Unrelated MSMEs include furniture and

**Table 10.2** MSMEs developed by YDBA 2011–2013

No.	Areas of MSMEs	MSMEs developed by YDBA		
		2011	2012	2013
1	Subcontractors related to value chain of Astra business	184	223	231
2	Manufacturers unrelated to Astra business	51	51	51
3	Service stations—partners of Honda	60	60	60
4	AHASS (Astra Honda Authorized Service Station)	607	628	628
5	General service stations, 2-wheelers	135	180	180
6	General service stations, 4-wheelers	241	262	271
7	Members of YDBA’s LPBs	1503	1660	2267
8	Member of YDBA’s LKMs	4313	4255	4255
9	Handicraft makers	144	163	163
163	Total MSMEs (cumulative)	7238	7482	8106

*Note* AHASS Astra Honda Authorized Service Station; *MSME* micro, small and medium enterprise; *LKM* Lembaga Keuangan Mikro (Micro Finance Institutions); *LPB* Lembaga Pengembangan Bisnis (Business Development Agencies); *YDBA* Yayasan Dharma Bhakti Astra  
*Source* Widjaja (2014)



handicraft businesses. Most of the MSMEs (6322 of the total 8106) developed by YDBA are members of YDBA's Business Development Agencies (LPBs) and Micro Finance Institutions (LKMs), which are related or unrelated to Astra's business. These LPBs and LKMs are YDBA's arms to reach out to MSMEs in nine provinces of Indonesia, and have been established by YDBA in cooperation with external institutions and Astra's affiliated and subsidiary companies.

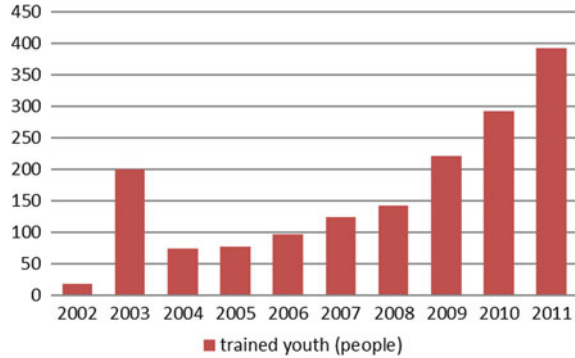
YDBA strives to improve the performance of MSMEs so they can move up to the next level, that is, from micro- to small-, and from small- to medium-sized companies at the level of self-reliance. For example, Mr Linggo Suprpto started with four employees in 1984; by 2011 he had more than 500 employees. Mr Suprpto is also confident that his company can be competitive in facing the upcoming ASEAN Open Market as long as he continues his production with competitive quality and price. Another example is Mr Hadi Subroto, who started as a blacksmith in his garage with his son in 1983; by 2011 he employed 950 workers. Astra also strives to improve the capacity and efficiency of MSMEs by giving them a challenge to produce new products with competitive prices, so both MSMEs and Astra get benefits from cost savings.

The improvements in the capability and capacity of MSMEs have generated employment in the network. On average, a small-sized component manufacturing company assisted by Astra employs around 200–300 people. In addition, most of Astra's MSMEs source their employees from local communities in their neighbourhood, which improves social cohesion. In addition to workers in automotive components, the number of workers absorbed in the network of motorcycle service stations is also large. For example, the dealer who is in charge of West Java area predicts that his distribution network can absorb around 3,400 technicians, not including sales people.

Another social performance aspect of the MSME program is improving the technical competence of high school graduates. Astra has cooperated with around 30 schools to improve the curriculum of vocational high schools to improve the employability of their graduates. YDBA and Astra dealers have also provided the training for high school dropouts to become competent technicians. They are trained and interned in Astra facilities, and can be employed by Astra authorised service stations. The following Fig. 10.4 shows the number of youth dropouts being trained by YDBA as mechanics.

Finally, in dealing with lack of financing access for MSMEs, YDBA and Astra venture capital (AMV) have developed a financing scheme which is suitable for the character of MSMEs in term of setting interest rates that are fixed according to the affordability of MSMEs and using familial approaches when MSMEs have problems in meeting repayments. Besides, the interactions with MSMEs are developed in such a way that makes MSMEs feel comfortable, unlike banks. Because of their success in channelling funds to MSMEs, YDBA and AMV are trusted by many state-owned companies for managing their CSR funds in MSME financing. The MSME owners confirmed that they prefer to go to AMV rather than to the bank because of the coaching and assistance provided for them.

**Fig. 10.4** Training of youth dropouts as mechanics by YDBA (Source Dharma Bhakti Astra Foundation 2011, 2012; Iqbal and Kosasih 2006)



#### 10.5.4.3 Environmental Performance: Environmentally Friendly Business Practices

In terms of environmental performance, the MSME program contributes to the change of behaviour and the capabilities of MSMEs to handle waste, thereby reducing solid and liquid pollution in their premises. For example, motorcycle service stations are taught about handling waste oil, and to not dispose of it into the river or community. MSMEs are also taught to recycle and reuse the materials that can still be used. Astra also provides MSMEs with a blueprint if they want to open service station facilities, to make sure that they follow clean processes.

## 10.6 Conclusions and Implications

The findings from case study support the theoretical framework about the linkages between sustainable development, CSR, social capital and corporate sustainability presented as Fig. 10.1. It shows that a company can actually play a ‘public role’ in contributing to sustainable development. In this study, the company has genuine intentions to contribute to sustainable development by solving social issues in fulfilling its business needs through CSR programs. By investing in CSR programs, the company built social capital such as social relationships (bonding and bridging), providing resources (management and technical competence, finance access and market access) for CSR programs stakeholders, and generated collective action (‘win-win partnerships’) in achieving sustainability goals for the company. The study finds that enhanced social capital enabled the company to achieve higher economic, social and environmental performance, simultaneously, thereby looping back to its contribution to sustainable development in Indonesia. These research findings are amalgamated into a theoretical model that links sustainable development (as driving forces), CSR programs (as corporate inputs, actions and process), social capital (as outputs of CSR programs) and corporate sustainability (as

outcomes of CSR programs). Such a model can be used by researchers and managers seeking to understand business sustainability.

The MSME program has directly contributed to the United Nations' sustainable development goals (UN 2015) on poverty reduction (Goal 1), provision of lifelong learning opportunity for underprivileged society (Goal 4), and inclusion of the poor in productive economic activities (Goal 8). Indirectly, the program has contributed to alleviation of hunger (Goal 2), promotion of wellbeing (Goal 3), fostering innovation (Goal 9) and the reduction of inequality within the country.

This research contributes to existing theory by providing evidence on the linkages between the concepts of sustainable development, CSR, social capital and corporate which is still lacking in current literature. This research illuminates the process under which CSR as an input generates corporate sustainability performance as an expected outcome which has been unclear (Aguinis and Glavas 2012). In the area of social capital, this research contributes to existing knowledge in two ways. Firstly, the research findings explain complementarities between bonding and bridging social ties in improving the livelihood of poor communities (Ansari, et al. 2012, p. 836). Secondly, the findings explain how social capital is developed and evolved over time in improving social structure and the welfare of poor people which is still debatable lacking in the literature (Granovetter 2005, p. 47; Lin 1999b, p. 483).

For the practice of management in developing countries, this research address the gaps in justifications for companies playing their 'political roles' in mitigating social issues while achieving their sustainability objectives in developing countries, particularly in relation to the roles of companies in building the capabilities of low-income people along their supply chain (Ansari et al. 2012; Fukukawa 2014; Scherer and Palazzo 2011; Visser 2009) so that the company and the community can co-create value to achieve the company's triple bottom line while improving the livelihood of the community. This is especially the case in situations where governments have a lack of accountability and social responsibility (Ansari et al. 2012; Kirchoefer and Winn 2006). The case study has provided practical lessons for companies aspiring to build its supply chain by empowering small enterprises in developing countries.

Taking the lessons from a sustainable public-listed company which has undertaken the MSME program for more than 30 years, this research is expected to help the government as well as companies in Indonesia and other developing countries to develop policies for social inclusions through CSR programs, thereby benefiting the country, the business and the society in the long run. This is especially the case for Indonesia, where the government has made CSR mandatory for companies operating in the country since 2007, but there are no mechanisms for government oversight to evaluate and monitor how the companies implement CSR programs (Waagstein 2011).

This research has identified strong linkages between CSR programs, social capital, corporate sustainability and poverty eradication. This research is not without limitations. The model is constructed based on empirical findings from a large company in Indonesia. Therefore, the lessons can be applied to other

corporations in developing countries, but further research is needed to test its application to other contexts.

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# Chapter 11

## Tobacco CSR and the Ethics Game Paradox: A Qualitative Approach for Evaluating Tobacco Brand Name Strategy Following Plain Packaging

Anne Morton and Steven J. Greenland

**Abstract** Smoking is a key driver of the non-communicable disease epidemic and the leading cause of avoidable premature death. Accordingly, governments around the globe have imposed tough regulations on manufacturers' marketing activities in order to reduce tobacco sales and the harmful effects of smoking. Despite these constraints tobacco companies continue to use the available elements of the marketing mix to promote their products, while also engaging in corporate social responsibility activities that seek to offset negative public perceptions of their products. The Australian tobacco market changed in December 2012 when plain packaging of cigarettes became law and this key avenue for branding cigarettes was closed. However, tobacco manufacturers continued to introduce new brand variants and segment the market with highly differentiated offerings. A key dimension of the manufacturer response to plain packaging involved a new brand name strategy. After plain packaging the brand name presented the only means of differentiating tobacco offerings and the structure of these evolved to include an existing brand name and two or more descriptive words. Words used as descriptors are often colour words although more abstract words are also employed, for example Dunhill Infinite White or Winfield Optimum Crush Blue. Preliminary research suggests that these modified tri-component brand names evoke positive connotations in consumers and reduce their negative perceptions regarding the harmful effects of smoking. By understanding the tobacco company's current brand naming strategy recommendations for further effective tobacco controls can be developed. This paper presents a methodology that can be employed to explore the new complex

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tobacco brand names. Specific projective and in-depth elicitation techniques are outlined that should facilitate understanding of the connotations that consumers attach to these new brand names. This research contributes to the CSR literature by examining the strategy of an industry that claims to be socially responsible, yet markets products that kill its customers—such paradox has been noted previously in relation to tobacco and manufacturers of other harmful products. The paper also contributes to the Marketing literature on evaluating brand names, specifically in the area of brand name structure and interpretation of word combinations.

**Keywords** Tobacco · Marketing · Australia · Branding · Packaging

## 11.1 Introduction

Tobacco companies use corporate social responsibility (CSR) activities to improve their public image. However, they also strive to encourage smoking, which is the key driver of the non-communicable disease epidemic and the leading cause of avoidable premature death (World Health Organization 2014). Tobacco CSR is therefore an obvious contradiction in terms (Hirschhorn 2004; World Health Organization 2004).

Governments and international institutions like the United Nations and the European Union have the power to promote CSR and are duty-bound to protect society by regulating the manufacturers of harmful products. Accordingly, many countries have implemented tough controls on tobacco marketing to reduce sales and the damaging effects of smoking. Yet despite these constraints, tobacco companies continue to promote their products. Indeed, these manufacturers do their utmost to circumvent and undermine regulations by adapting the remaining elements of the marketing mix. Tobacco companies also frequently engage in ‘astroturfing’ public relations (Davies 2010; Wells 2016) and CSR activities that seek to hoodwink consumers and offset negative perceptions of smoking and the tobacco industry.

The tobacco industry response to regulation falls into the realms of the “ethics game paradox” described by Crowther and Seifi (2012) and can be modelled through Game Theory (e.g. see Seifi and Crowther 2016). This is based on the premise that one party does not act in isolation but is bound by the reaction of the other party. In this regard, regulators should expect tobacco companies to react to any new marketing controls and must take this into account when planning new regulations: merely issuing regulations is therefore unlikely to have the anticipated impact. Evaluating tobacco marketing strategies in times of increasing regulation therefore presents an important avenue for further research (Greenland et al. 2016) and is critical for informing future social policy.



In December 2012 Australia's tobacco market shifted significantly when it became the first country to introduce plain packaging of tobacco products, removing an important branding element. Australia's Tobacco Plain Packaging Act outlaws the use of colours, company logos and brand images, other than the brand name in a standard font. In this regard Australia has become a test market for and a focus of attention from other countries considering introducing similar plain packaging legislation.

Following the introduction of plain packaging in Australia tobacco companies have continued to introduce new brand variants and segment the market with highly differentiated product offerings (Greenland 2016; Greenland et al. 2016). An important dimension of the industry response to plain packaging has involved changing the brand variant name, which presents the key remaining means for differentiating tobacco offerings. The structure of the variant names has evolved to include the existing brand name as well as two or more descriptive words. Preliminary research suggests that these modified or tri-component brand names evoke positive connotations in Australian consumers, reducing negative perceptions towards the harmful effects of smoking.

Research examining tobacco brand naming following plain packaging has been highlighted as an important area for future investigation (Greenland 2016). While the volume of plain packaging research has grown significantly over the past twenty years, there has been only limited work that investigates its impact upon tobacco brand portfolios. In response, this chapter discusses how best to investigate consumers' perceptions of the tobacco tri-component brand names. Such understanding is vital for evaluating why this particular tobacco brand naming strategy has been adopted and appears to be successful, and should facilitate recommendations for further effective tobacco controls, including the design of plain packaging legislation for other countries.

This chapter initially describes the plain packaging debate, the context of Australia's regulations and the tobacco industry's branding response to plain packaging. An interpretivist research methodology, for exploring the newly evolving tobacco brand names, is then presented and specific in-depth elicitation and projective techniques are outlined. The chapter contributes to the CSR literature by proposing a method for examining the strategy of an industry that claims to be socially responsible yet markets products that kill its consumers. The outcomes of such research will also contribute to literature on branding, specifically in the area of brand name structure and consumer interpretation of word combinations. The proposed approach will subsequently be used to evaluate the evolution of tobacco brand names in Australia. The proposed method is also applicable for similar research into the impact of plain packaging following its introduction to other markets, such as the UK.

## 11.2 Tobacco Regulation and Plain Packaging

Many governments have longstanding restrictions on tobacco marketing, as well as public health education programmes. These reduce public acceptance of smoking and have been effective in reducing tobacco sales and smoking prevalence in many markets.

Australia's tobacco controls (already among some of the toughest in the world) were strengthened in 2012 with the introduction of plain packaging. This legislation was widely viewed as closing an important avenue for promoting and differentiating tobacco products, cigarettes in particular. The Asia Pacific community, as well as other countries considering strengthening their tobacco regulation, are therefore closely watching the impact of Australia's plain packaging upon public health to inform their deliberations over whether to implement similar legislation.

### 11.2.1 *The Plain Packaging Debate*

Support for tobacco plain packaging regulation comes from government and non-government health groups. Numerous researchers and academics also write in this area and expound the importance of packaging in tobacco marketing and promotion (e.g. Cunningham 1996). Packaging is particularly important for differentiating homogenous product categories (Underwood 2003) and with tobacco it has become a fundamental part of brand differentiation, particularly so as other forms of promotion and advertising have been increasingly restricted (Henriksen 2012).

Considerable plain packaging primary research has been published in journals for healthcare professionals and those involved specifically with tobacco control (e.g. Ford et al. 2012; Hammond et al. 2009; Hoek et al. 2011; Wakefield et al. 2008, 2012). A smaller number of papers appear in marketing and business-related journals (e.g. Binesh 2011; Hoek et al. 2010; Moodie and Ford 2011). Moodie et al. (2012) provide a comprehensive review of the earlier plain packaging primary research, which confirms that plain packaging:

- Reduces the appeal of smoking, as well as tobacco brands
- Enhances warning label salience in terms of recall, attention paid and believability
- Improves awareness of product harm
- Deters non-smokers from taking up smoking and encourages existing smokers to quit.

Research following the introduction of plain packaging in Australia has confirmed these conclusions (e.g. Hoek et al. 2016; Scollo et al. 2015; Zacher et al. 2014).

Evidence from the tobacco industry further illustrates packaging's significant role in marketing. Millions of pages of tobacco company papers and reports are publicly available as result of the Masters Settlement Agreement between US States and tobacco companies in relation to health law suits (Redhead 1999). While most of these documents date from the 1990s and the preceding decades, they nevertheless provide insights into contemporary tobacco packaging strategy. Reviews of these industry archives (e.g. Greenland 2011; Wakefield et al. 2002) consistently illustrate how tobacco companies use packaging to communicate and advertise tobacco, indicate perceived strength to promote the idea of healthier cigarette options and maximise brand appeal to carefully targeted consumer segments.

In documents submitted to the Australian government in opposition to the proposed plain packaging legislation, the industry also expressed concern with regard to the likely impact of plain packaging in relation to decreased ability to differentiate products and introduce new ones (British American Tobacco Australia Limited 2011; Tobacco Station Group 2011).

Tobacco companies are fully aware of the importance of packaging and therefore do everything they can to resist plain packaging regulation. In the courts tobacco companies have fought the plain packaging legislation with claims that plain packaging represents acquisition of valuable intellectual property without due compensation (Rimmer 2012).

In the media tobacco companies steadfastly deny the relevance of packaging in promoting smoking. Indeed, the industry has funded and published its own research that disputes the findings of researchers who support plain packaging (e.g. Padilla 2010).

Industry attempts to overcome criticism about selling a product that kills include public relations campaigns that highlight the thousands of jobs provided around the globe, as well as the significant government revenues generated, along with the major investment in developing markets where socioeconomic development is a critical issue. All the major manufacturers also engage in extensive corporate social responsibility initiatives, which seek to further sway public opinion. In addition the industry funds media campaigns and activities that further undermine regulation. These frequently berate the nanny state mentality and depict control as draconian and impinging upon freedom of choice and personal responsibility.

In Australia following the plain packaging bill proposal the industry engaged in astroturfing public relations activities to try and undermine support (Wells 2016). Australia's three main cigarette companies (British American Tobacco—BAT, Philip Morris—PM and Imperial Tobacco Australia—ITA) bankrolled the Alliance of Australian Retailers' (AAR) high-profile anti-plain packaging media campaign (Greenland 2012). This ran on TV, radio and billboards the year before the legislation was introduced. It claimed that plain packaging was unnecessary, confusing and inconvenient for small retailers and smokers alike. The key message was that there was no evidence that plain packaging would reduce smoking.

The industry efforts have had some success in influencing public opinion about plain packaging. This is in part due to consumer ignorance about the role that packaging plays in marketing. While consumers easily appreciate the functional

role of packaging, they are less aware of its branding and communication purpose. This lack of understanding is typical with the more aesthetic design elements of the marketing mix, such as packaging and retail outlet design (e.g. Greenland 1994), which act predominantly at subliminal levels. This lack of understanding on the part of consumers explains the apparently marginal public support for plain packaging that has been observed (Moodie et al. 2012).

Given the strong emotions invoked by tobacco-related illnesses and public mistrust of big business it is difficult to accurately gauge levels of opposition to plain packaging. More input to this debate might be expected from expert communication and marketing practitioners. However, in recent years the potential for tobacco-like regulations being imposed on other potentially harmful products has increased—affected brands might include Budweiser, Cadbury, Coca Cola, McDonalds, Nokia and Shell, to name but a few. Tobacco alone generates huge global revenues for advertising, market research, marketing, public relations and media agencies. Silence from marketing practitioners in relation to the plain packaging debate should therefore be expected given the obvious conflict of interest.

Up to 2012 a major shortcoming in the case for plain packaging was that it had not actually been introduced to any market and so no ‘real’ assessment of its impact could be made. This situation changed with the introduction of tobacco plain packaging in Australia. This is why studying its impact in Australia, as well as the industry’s response to the regulation, is so important.

### **11.3 Tobacco Brand Name Evolution and Branding’s Significance After Plain Packaging**

Following plain packaging in Australia, industry concerns about plain packaging inhibiting product differentiation and new product development were soon dispelled. Tobacco manufacturers continued to introduce numerous new cigarette brand variants and differentiate their ranges by adapting and extending brand lines. Since plain packaging the brand name has become the key means for differentiating tobacco products and an unprecedented rate of brand name modification has occurred, with more variant name modifications occurring in the year following the legislation than in the previous 4 years combined (Greenland 2016).

The marketing literature recognises the inherent duality of brands (Aaker 2006; Bengtsson and Ostberg 2006; De Chernatony and Riley 1998). Brands frequently communicate both functional and symbolic qualities (Combe et al. 2003), which shape how the market interprets the overall brand proposition. That is, how the brand is presented in terms of colours, wording, packaging, and pricing determines how consumers react to and perceive the brand. Each individual branding element is therefore important and is manipulated to provoke a particular response from consumers. For example, developing a recognisable and appropriate brand name

can contribute positive consumer responses (Kohli and LaBahn 1997; Shipley et al. 1988), which may result in enhanced brand appeal and higher sales.

Brand strategy relates to the number and nature of both common and distinctive brand elements that a company applies to the products it sells (Kotler et al. 2009). For example, family or umbrella branding is a common strategy in fast-moving consumer goods (FMCG) markets, whereby the same overarching name is used for all or many of the organisation's products. This approach increases the success rate for new products because consumers assume they offer the same values as the existing familiar brand, and costs associated with building awareness of the new offering are also reduced. As an illustration, within the tobacco industry manufacturers use a family brand name (e.g. Marlboro, Winfield, Benson and Hedges), and then differentiate individual brand variants by adding a descriptor (e.g. Marlboro Red, Winfield Blue).

During the 1970s and 1980s, tobacco companies regularly experimented with their brand names, frequently introducing ambiguous terms such as 'mild' and 'lite', which reduced negative consumer perceptions regarding the perceived harmfulness of the product. Subsequent regulation banned the use of these terms, which the manufacturers were swift to replace with colours such as blue, gold and silver. These colours were sometimes included in the brand names (colour words), but most commonly appeared in the packaging colour (colour hues). Smokers quickly began interpreting colour as a tobacco strength indicator (darker colours—more harmful; lighter colours—less harmful), which perpetuated the myth of 'healthier' cigarette options (Bansal-Travers et al. 2011; Moodie and Ford 2011).

The importance of colour in branding is acknowledged in the marketing literature (e.g. see Baxter and Ilicic 2015; Greenland 2015). Colours enable consumers to more easily identify brands, and in the case of tobacco a product's strength. Brand colours also convey other associations and elicit particular responses from consumers (Labrecque and Milne 2012; Romaniuk and Nenycz-Thiel 2014). For example, blue is perceived as competent and trustworthy, red is viewed as exciting and stimulating, black is seen as expensive, powerful and high status, while brown is often associated with ruggedness and earthiness (Labrecque and Milne 2012; Madden et al. 2000).

## 11.4 Proposed Research Approach for Investigating Tobacco Brand Names

In Australia, since plain packaging was introduced in 2012, tobacco brand names have evolved to generally include the existing family brand name plus two or more descriptive words. These are most often a colour as well as a more abstract descriptor, such as Dunhill Infinite White or Winfield Optimum Crush Blue (Greenland 2016). Preliminary research suggests that these modified tri-component brand names evoke positive connotations, which raise product appeal and reduce

negative perceptions regarding the harmful effects of smoking (Hoek et al. 2016). The remainder of this chapter describes a qualitative approach that can be used to investigate how consumers interpret these tri-component cigarette brand names. The proposed approach will subsequently be tested, evaluated and refined.

### *11.4.1 The Qualitative Rationale*

Focus groups are recommended for the data collection, as they are particularly useful for exploring brands and their underlying meanings (e.g. Supphellen 2000). Group participants share information as the group environment builds a sense of support and anonymity. The group atmosphere also allows the researcher to gain deeper insights into the ideas, feelings, attitudes, experiences, beliefs and opinions towards the discussed topic (Bristol and Fern 1996). Furthermore, the focus group cultivates conversations between group members, enabling individuals to “explore and clarify their views... in their own vocabulary” (Kitzinger 1995, p.299). The data generated is therefore in the form of words, which provides rich, insightful description (Merriam 2009).

How consumers interpret brand elements to arrive at an overall image perception is a complex process and a skilled focus group moderator is required to elicit this information. Brand meanings accumulate over time and are influenced by exposure to various cues, including multiple marketing inputs from the manufacturer such as logo, name, packaging, pricing and distribution. These are all strategically designed to influence how the consumer perceives the brand. Thus, considerable work is involved in developing appropriate branding elements that achieve the desired consumer comprehension of the brand. In addition, over time consumers gain multiple brand experiences, including purchase and consumption within a social context, which also contribute to the overall brand perception and may be stored as sensory or emotional impressions at the subconscious level (Hofstede et al. 2007; Supphellen 2000). Thus, asking direct questions about brand meaning is unlikely to be effective for uncovering detailed insights and the focus group moderator must employ a more oblique approach using in-depth interviewing techniques.

To access consumers’ unacknowledged memories, a range of elicitation and projective techniques is therefore proposed in this chapter. These will help the focus group participants articulate how they feel about a brand and ensure that all memories—visual, sensory and emotional—and situation-based memories are uncovered by the group moderator (Supphellen 2000).

Projective techniques extract underlying meanings (Boddy 2005) and are useful in relation to understanding brands. They are also particularly relevant for contentious products such as cigarettes, which are often considered as socially unacceptable; thus, focus group participants may feel uncomfortable sharing their true feelings. Hofstede et al. (2007) defined five broad projective technique categories: association, completion, construction choice ordering; and expressive. In this context, focus group participants completing association tasks suggest words,

images or thoughts which connect with the phenomenon being researched, while completion tasks require participants to finish sentences or narratives. In construction exercises, participants respond to questions about the attitudes, beliefs, emotions and behaviours of other people; thus projecting their impressions of that person. Choice ordering or ranking of products based on specific criteria indicates not only brand awareness, but can also convey other brand attributes. Role-playing, story-telling and other creative activities fall within the expressive category.

In the context of conducting focus groups relating to tobacco branding, a range of elicitation and projective techniques are recommended to ensure that the full gamut of brand name associations is uncovered.

### ***11.4.2 Proposed Areas of Evaluation***

Four distinct areas of investigation are proposed for the focus groups, to facilitate exploration of each deconstructed element of tri-component tobacco brand variant names (colour, descriptor, family brand name), as well as the overall impression created. Each element can therefore be explored individually in terms of association and meaning, as well as in combination by also evaluating the complete tri-component brand variant name.

#### **11.4.2.1 Colour Words**

The proposed colour word evaluation initially involves sorting colour word cards into categories that participants view as being similar in some way. At this point no mention would be made of cigarettes or tobacco, so participants will simply be exposed to the colour word connotations. Card sorting has long been used in commercial market research branding exercises, and more recently in relation to website design (e.g. Righi et al. 2013). The approach is also often used in academic branding and website studies (e.g. Hepburn and Lewis 2008; Huang and Ku 2016). In this proposed research, the cards would include the numerous colours used in cigarette brand names such as red, blue, gold, silver, purple, amber, black and orange. Once the cards are sorted participants will then be probed about the rationale behind their grouping, as well as their general associations with each colour.

Choice ordering activities such as this word sort exercise allow participants to actively demonstrate their feelings about brand name elements, which can be difficult to verbalise via direct questioning alone. By ranking and sorting the brand name components in this manner, participants are automatically displaying their own perceptions about the stimulus and unconscious brand perceptions and associations are revealed.

To further explore how the participants interpret the colours, personification will be used, whereby participants relate the type of person they believe the colour

represents. Participants will be asked to provide their thoughts on various dimensions such as gender, age, nationality, social class, income, residence, occupation, interests, life stage and appearance, and perceived relationship to them. This personification technique enables participants to create metaphors for their associations and so their unconscious associations surface (Supphellen 2000).

#### **11.4.2.2 Abstract Descriptor Words**

The more abstract brand name components, such as infinite, distinct, bright, rich, nano, cool, refined and premier, will also be presented to the focus group participants on cards for sorting. Participants will initially be asked to sort the cards into groups that are similar in some manner, and then be probed for associations that the grouped words conjure. The personification exercise will also be conducted for the more commonly used brand descriptor words. As with the colour word responses, descriptor words will be evaluated without reference to tobacco.

#### **11.4.2.3 Family Brand Names**

After the sorting of colour and abstract descriptor words, the actual cigarette family brand names will be introduced to participants. The selected brand names will include those currently available in Australia sold by each of the three leading manufacturers (e.g. BAT—Dunhill, PM—Marlboro, and ITS—Peter Stuyvesant). It is at this stage that the focus of the research on the tobacco industry will become evident to the participants. Participants will again be asked to sort the brand names and for the basis of their groupings. They will also be questioned in relation to brand associations, as well as personification.

#### **11.4.2.4 Specific Brand Variant Names**

The final focus group exercise will take the form of an in-depth evaluation of the full brand variant name, such as Dunhill Infinite White. Variants will be selected by the researcher to ensure a range of high-priced and low-priced products, as well as those with perceived strength variations (e.g. light and dark colour names), are evaluated. Participants will be asked their overall impression of each name and what type of person they believe uses this product. An additional technique, in this case a sentence completion exercise, will also be used where participants complete a sentence about each brand variant. The sentences will relate to perceived health risks to tap into what the whole brand name conveys to consumers in relation to healthiness versus harmfulness.

Any additional meaning of the different colours and abstract descriptor components, specifically in the context of tobacco, will also be elicited. Furthermore, group discussion of the names used for the same products or variants before and



after plain packaging will provide insights as to what additional associations the new tri-component names convey.

### ***11.4.3 Data Analysis***

The data produced by the research will comprise transcripts of the audio-recorded focus group discussions. Even though transcription may sometimes be viewed as contributing little to the overall research results, it does enable the researcher to increase their familiarity with the data; it also often informs early analysis. Thematic content analysis offers a flexible approach to analysing qualitative data (Braun and Clarke 2006), and will be used here. It involves initially reading through all of the discussions to identify similar comments to facilitate the emergence of common themes within the data. After several iterations and re-sorting, the core themes can be identified.

## **11.5 Chapter Discussion and Conclusion**

Despite the tobacco industry's considerable media, public relations and CSR efforts, the societal context of consuming its highly addictive products is overwhelmingly negative—smoking remains the world's leading cause of avoidable premature death (World Health Organization 2014). Tobacco regulations like plain packaging seek to improve public health by impeding tobacco marketing and reducing the appeal of smoking. Yet tobacco manufacturers continually seek to undermine the impact of such legislation. In Australia following plain packaging, the tri-component brand name has emerged as an increasingly significant element in tobacco marketing, with numerous new and innovative brand variant names appearing. Understanding the rationale behind this evolving brand name strategy is therefore an important avenue for future investigation, which can inform legislation in Australia, as well as other countries considering similar legislation.

This chapter describes a qualitative research approach for evaluating newly evolving tobacco brand names that appeared following plain packaging. This approach provides the opportunity for exploring and making sense of the business strategy of an industry that claims to be socially responsible, yet markets products that kill its customers, and does all it can to minimise the impact of regulation designed to improve public health.

The use of elicitation and projective techniques within a focus group setting has been recommended, since this is particularly effective for extending knowledge of how consumers interpret the tri-component cigarette brand names. This proposed method should generate further insights of how tobacco companies seek to circumvent socially responsible tobacco regulation. The outcome of such research should also help in the development of further controls on tobacco marketing.

The methodology proposed in this chapter does however present some research challenges, not least because the very richness and complexity of the qualitative data produced requires considerable skill to initially obtain and then analyse and interpret. Furthermore, the small number of respondents involved in qualitative research means that findings cannot be deemed representative of the whole market. Despite these challenges, qualitative research is widely recognised as being particularly useful for exploratory investigation, and particularly so for understanding the complex phenomenon of tobacco branding.

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# Chapter 12

## The Neo-Institutionalism Influences on Corporate Social Responsibility Reporting Development in Australia: A Three Company Study

Merryn Paynter, Abdel K. Halabi and Alan Lawton

**Abstract** The aim of this study is to analyse the reporting of Corporate Social Responsibility (CSR) through the framework of neo-institutionalism. To explore this, the study focuses on the CSR reports published by three Australian firms, BHP, Westpac and Westfield from 1992 until 2015 and has applied the neo-institutional framework developed by Schultz and Wehmeier (2010) as a social constructivist representation of how macro, meso and micro-level triggers may influence the institutionalisation of CSR. Results show that the neo-institutionalisation of CSR has affected the development of CSR and CSR reporting in these three companies. Additionally, the absence of government regulation has increased the likelihood that macro-environmental institutional influences, namely mimetic pressures, have enabled manipulative communication and sensemaking strategies to be transferred from one firm to another, thereby affecting the credibility of CSR reporting.

**Keywords** Corporate social responsibility · Australia · Neo-institutionalism · Symbolic communication · Sustainability reports

### 12.1 Introduction

Corporate social responsibility (hereafter referred to as CSR) has been defined as ‘actions on the part of the firm that appear to advance, or acquiesce in the promotion of some social good, beyond the immediate interests of the firm and its shareholders and beyond that which is required by law’ (McWilliams et al. 2006, p. 117). Firms engage in CSR to maintain legitimacy, or their license to operate. Legitimacy occurs when congruence exists between social values, and acceptable behaviour of society and the firm’s activities (Dowling and Pfeffer 1975). Lindblom (1994)

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suggested that firms adopt CSR reporting strategically to avoid threats to legitimacy and to influence stakeholders' perceptions about the firm.

Firms which advocate CSR insist that their CSR reports are intended to convey transparent and accountable information about their social and environmental performance (Kolk 2008; Kolk and Perego 2014). Critics however dismiss these as being little more than a public relations exercise designed to manage impressions and enhance the firms' reputation (Adams 2008; Kolk and Perego 2014), and are inherently flawed (Lauesen 2013; Milne and Gray 2013; Morsing and Schultz 2006). Despite these criticisms, CSR reporting has become an institutionalised practise.

Institutionalisation is defined both as a process and as a property variable (Tolbert and Zucker 1999, p. 169). As a process Scott and Meyer (1994) noted that Institutionalisation is a set of units and a pattern of activities which come to be normatively and cognitively held in place, and practically taken for granted. Neo-institutionalism is an adaptation of institutionalisation which focuses more on the firm's legitimacy in society and its stakeholder relationships (Schultz and Wehmeier 2010).

Schultz and Wehmeier (2010) build on neo-institutionalism by incorporating sensemaking and communication theories to relate how macro, meso and micro-level triggers may influence the institutionalisation of CSR. Macro-level triggers, such as legislation, professional norms, and public pressure, all encourage organisations to adopt similar practices. Meso-level influences are reflected by how an organisation translates CSR into actions, strategies and reports; and micro-level influences determine how CSR is institutionalised internally by the actions of individuals.

This research applies the framework established by Schultz and Wehmeier (2010) to explain how the neo-institutionalisation of CSR has affected the development and credibility of CSR reporting. To explore this, the study has focused on the CSR reports published by three Australian firms, BHP, Westpac and Westfield between 1992 and 2015 in order to construct a historical narrative. These three firms were selected because they each represent different industries with different CSR risk profiles as reflected in CSR reports, and these firms have been consistently in the top 10 Australian firms by capitalisation over the time period.

The analysis of CSR reports begins in 1992 as this coincided with the United Nation's Conference on Environment and Development held in Rio Di Janeiro, otherwise known as 'Earth Summit'. At Earth Summit, 178 countries signed the "eclaration which called for governments to encourage firms:

To provide relevant environmental information through transparent reporting to shareholders, creditors, employees, governmental authorities, consumers and the public; and to develop and implement methods and rules for accounting for sustaining development. (United Nations 1992a, b, p. 74)

The rest of this paper is structured as follows: The literature review describes the development of CSR reporting in Australia, and the theoretical framework, drawing upon both new institutionalism and sensemaking. After the review, the

methodology used to collate and analyse the CSR reporting information is outlined. The results follow which highlight initial findings on how the neo-institutional framework is supported by evidence from the CSR reports. The conclusion states that neo-institutionalisation has affected the development and reporting of CSR, while further research is suggested.

## 12.2 Literature Review

Neo-institutionalism in organisational theory was presented in 1977 as an adaptation of institutionalism to explain why the formal structures of many organisations reflected the myths of their institutional environments rather than actual work activities (Meyer and Rowan 1977). Formal structures within institutions are defined as being professions, policies, strategies, products and services, while the myths are the established rules such as values norms, and institutional rules such as attaining or retaining legitimacy, and organisational efficiency (Powell and DiMaggio 2012).

Wherein traditional institutionalism focused on issues relating to power, competing values, neo-institutionalism focuses more on the firm's legitimacy in society and its stakeholder relationships (Greenwood and Hinings 1996; Jennings and Greenwood 2003; Powell and DiMaggio 2012).

Neo-institutionalists believe that firms must interpret messages received from other institutions and external stakeholders about appropriate values, norms and rules they must follow in order to attain, and retain legitimacy (Greenwood and Hinings 1996). This process of interpreting messages is subject to the sensemaking process by the firm. Weick et al. (2005, p. 409) defined sensemaking as 'the ongoing retrospective development of plausible images that rationalise what people are doing'. During the sensemaking process, rational actors (individuals) within organisations interpret the messages received and enact them into actions and formal structures based on their understandings, and experience.

From this sensemaking perspective, CSR is 'an interactive social process in which CSR is systematically organised by creating and recreating an internally and externally shared frame of reference' (Nijhof and Jeurissen 2006, p. 319). This implies that the definition of CSR is not static, instead it is continually being interpreted and reinterpreted between organisational members, and external stakeholders.

Once the institutionalisation of CSR has occurred, the organisation in turn acts as a 'sensegiver' to other institutions, and organisations. Sensegiving occurs "when an abstract 'vision' of the changed organisation evolves and is disseminated to stakeholders and constituents" (Gioia and Chittipeddi 1991, p. 434).

CSR reporting as a communications strategy is used by organisations as a sensegiving tool (Morsing and Schultz 2006). The flow of information and messages about CSR, however is distorted due to the existence of asymmetrical information. Information asymmetry exists because stakeholders' knowledge about

the firms' environmental and social performance is not perfect (Morris 1987). This enables managers to choose how it translates CSR into actions, strategies, and how it symbolically communicates CSR.

Sensemaking and sensegiving in neo-institutionalism also provide an explanation for the homogenisation of CSR policies, strategies and reporting between organisations (DiMaggio and Powell 1983). Schultz and Wehmeier (2010) apply DiMaggio and Powell (1983) concept of isomorphism to their neo-institutionalisation framework to explain how competitive and institutional influences affect this homogenisation process. DiMaggio and Powell (1983, p. 149) suggest that these influences act as "a constraining process that forces one unit in a population to resemble other units that face the same set of environmental conditions".

### ***12.2.1 Neo-Institutionalisation Framework***

Schultz and Wehmeier (2010) developed their neo-institutionalisation framework for institutional processes to depict holistically the institutionalisation of CSR within corporate communications. The aim of the framework was to illustrate why firms institutionalise CSR, as well as how CSR is incorporated, negotiated and carried out. In addition the framework focused on the consequences of CSR as a construct of moral communications (Schultz and Wehmeier 2010).

Schultz and Wehmeier (2010) applied this framework to a case study of institutionalisation by a Swedish Energy Company, Vattenfall Europe AG, which was criticised for its pricing policies, as well as for environmental and public safety concerns surrounding its nuclear plants. In addition, the firm was criticised for discrepancies between verbal statements and actual behaviour and Schultz and Wehmeier (2010) examined why the firm engaged in such behaviour, especially when they risk losing legitimacy.

The neo-institutionalisation framework provided by Schultz and Wehmeier (2010) (see Fig. 12.1) describes institutionalisation as a multilevel process.

The framework incorporates a macro-environmental level, meso-environmental level, and a micro-environmental level. Macro-level influences include three categories of isomorphic pressures originally identified by DiMaggio and Powell (1983); consisting of memetic, or competitive influences; regulatory influences; influences from professional norms; and influences derived from public pressure and public expectations. At the meso-level, neo-institutionalism describes how firms translate CSR into actions, strategies and reports, while micro-level influences describe how the firm internalises CSR through the implementation of rules, and redesigning internal practices. At the micro-level CSR is translated by the individuals/members of the organisation, who in turn, influence how CSR is internally practiced/redesigned and implemented at the meso-level.

Schultz and Wehmeier (2010, p. 17.) describe the process of institutionalisation of CSR within corporations and corporate communications as the "translation" of



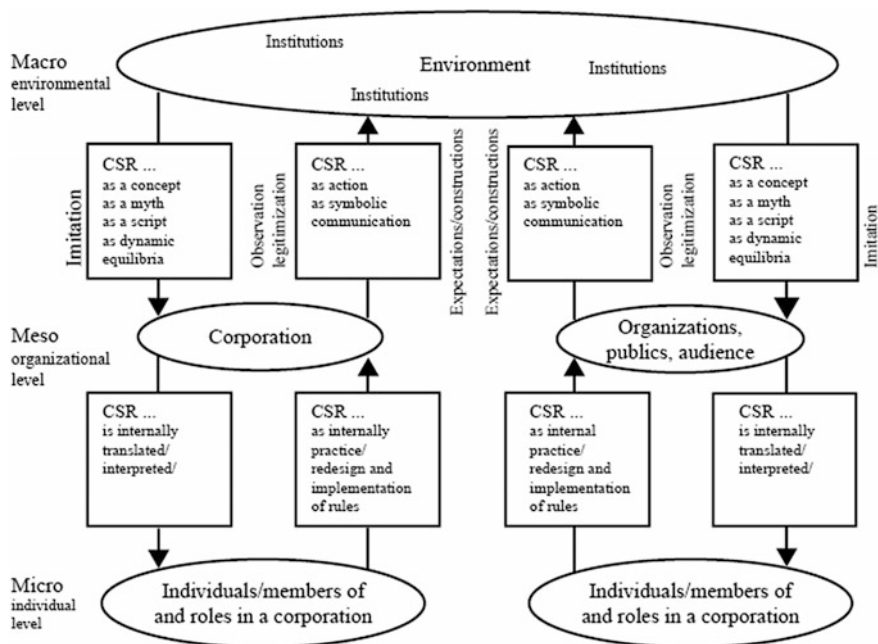


Fig. 12.1 Neo-institutionalisation framework source (Schultz and Wehmeier 2010, p. 13.)

such perceived triggers and institutional rules. This translation process includes sensemaking. Sensemaking explains how the receiver of information creates order and makes sense of what occurs (Schultz and Wehmeier 2010).

The sensemaking dimension of the framework not only outlines how the firm translates and makes sense of a concept, but also how the firm influences the way in which another party understands the CSR concept (Morsing and Schultz 2006). Consequently, Schultz and Wehmeier (2010) view institutions as dynamic equilibria, and not as static structures. This suggests that organisations are not stable institutions with institutionalised norms, values, and practises. Instead the iterative nature of sensemaking means that the organisation needs to be continuously reaffirmed and redefined (Weber and Glynn 2006).

In Schultz and Wehmeier (2010) framework, the meaning of CSR is socially negotiated by senders and receivers during the institutionalisation process. This framework represents this as a continual flow of messages, between the firm and its macro-level triggers, as well as internally by individuals and members within the firm. The process of neo-institutionalisation of CSR is represented by the arrows in Fig. 12.1.

### ***12.2.2 Symbolic Communication Strategies***

Schultz and Wehmeier (2010) describe how firms can use symbolic communications as a shield to detract attention away from their main activities, avoid public pressure and build trust. Firms do this by ‘moralising’ their corporate communications. This occurs when ‘idealistic definitions of CSR’ are developed and referred to ethical or environmental issues in their communications (Schultz and Wehmeier 2010). This, in conjunction with the amoralisation of CSR, provides firms with the motive to manipulate the understanding of CSR (Schultz and Wehmeier 2010). Amoralisation explains how CSR becomes less of a moral concern to a firm than an impressions management tool (Crane 2000). The moralisation and amoralisation of CSR explains why firms manipulate the understanding of CSR.

Symbolic communication strategies have also been outlined by other theories, namely signalling, managerial capture and impressions management. These theories contribute to the factors that have influenced the development of CSR reporting, and why the credibility of CSR reporting has been questioned.

Signalling theory explains how managers may choose to incorporate CSR into company reports as a way to convey information to the market about company value which could be influenced by knowledge about the firms’ social and environmental risks, governance structures and their own competence (Morris 1987). Within the context of CSR, signalling theory can be used to partly explain firms’ motives for providing information about its credentials. In addition to meeting growing demands from stakeholders to become more accountable and transparent for their actions as consumers and stakeholders, firms also use CSR reporting as a marketing and impressions management tool.

Another example of a content analysis of CSR governance measures was conducted by (Klettner et al. 2013). This analysis of ASX50 companies examined annual reports, sustainability reports, and company websites and found many firms were integrating CSR governance measures into their reports. However, due to the voluntary nature of disclosure, there remained a tendency for managers to report only favourable information and withhold information that may reflect badly on the organisation or managerial competence. This is an example of signalling theory.

Managerial capture occurs when managers apply their own definition of CSR into a subject which is primarily concerned with pursuing corporate goals of wealth maximisation (Adams 2002; O’Dwyer 2003). The findings of O’Dwyer (2003) interview-based study of the perceptions of CSR help by a group of 29 senior managers of Irish publically listed companies found that managers exhibited a clear tendency to interpret CSR concepts in a way that was consistent with shareholder wealth maximisation.

The function of impression management is to maintain an appearance of acting in a way that is consistent with social values and, in so doing, build stronger stakeholder relationships (Bansal and Kistruck 2006). Impressions management occurs when the information conveyed in CSR is designed to influence stakeholders’ opinions of the firm, rather than convey accurate information (Branco and Rodrigues 2007).

The uptake of sustainability reporting in Australia reflects the institutionalisation of CSR and CSR reporting (Higgins et al. 2015). Higgins et al. (2015) identified 126 Australian companies that had produced a stand-alone sustainability report. Several key drivers/motivators for CSR reporting which differed relative to firm size and environmental impacts were identified. Furthermore, the increasing adoption of sustainability reporting amongst low impact/low visibility, late sustainability reporting adopter companies such as customer-related industries, suggested that this uptake was an indicator of the institutionalisation of sustainability reporting.

A key question is whether organisations in ‘controversial’ industries use CSR communication more often than those in ‘non-controversial’ industries. Kilian and Hennigs (2014) analysed annual reports from the German DAX-30 companies to determine if it was possible to distinguish whether there was a different approach to CSR communication between high-, middle- and low-controversy industries. Results found that there was an increase in the uptake of CSR reporting across the board as a result of growing importance of CSR in stakeholder dialogue. However, there was a significant drop in CSR reporting during 2008–09 which coincided with the global financial crisis (Kilian and Hennigs 2014).

The differentiation of CSR reporting styles between controversial and less controversial industries is a concept which raises the question of whether there are pronounced differences in reporting styles. This has been explored to some extent by Dobeles et al. (2014) who conducted a case study of one Australian firm, Southern Pacific Petroleum, which refines and extracts petroleum. Dobeles et al. (2014) examine CSR from ‘an implementation and stakeholder management perspective’, and found that managers need to prioritise stakeholders according to ‘the power, legitimacy and urgency of a given stakeholder’s claim’ (Dobeles et al. 2014 p. 147).

The next section describes the research methodology, including how data was collected and analysed, in order to construct differences in CSR reporting over time.

### 12.3 Methodology

The aim of this study is to explain how the neo-institutionalisation of CSR has affected the development and credibility of CSR reporting. The CSR reporting information from three Australian firms was collated from annual, sustainability and any integrated annual reviews/sustainability reports, and classified as a macro, meso, or micro-level isomorphic pressure (Schultz and Wehmeier 2010). The three firms (BHP, Westpac and Westfield) were selected because they each represent different industries with different CSR risk profiles, and were consistently in the top 10 listed ASX Australian Firms (by capitalisation) from 1992 until 2015. BHP Billiton is a global resources and mining company, Westpac a financial services company, and Westfield, a global retail company.

### **12.3.1 Data Collection**

Annual reports dating from 1992 were downloaded from Connect4, a Thomson Reuters database, while sustainability reports were downloaded from company websites. BHP's sustainability reports dating between 1997 and 2000 were not available on the company website, however these were promptly emailed following a request.

Information was copied into MS Excel spreadsheet columns, to ensure that it related specifically to each firm's CSR strategies, policies and governance measures, including whether a sustainability committee existed at board-level. Attention was also paid to each company's value statements, mission statements and any overarching company-wide strategy statements.

Information was also captured regarding whether the firm belonged to an industry committee, an industry/CSR advisory committee, or other types of CSR-related memberships or reporting indexes such as the Global Reporting Index, or the Carbon Disclosure Project. Photographs were not included, however diagrams featuring strategies, and organisational structures, particularly with respect to board committees and governance were.

Finally, any CSR information reported in Chairperson or CEO's reports published in annual reports or sustainability reports was recorded.

The company reports selected for this content analysis were the reports that including content that referred to their Australian operations, not including the Retail Trust reports which provide information relating to property ownership.<sup>1</sup>

Once collated, all information including narratives published by each of the three firms in relation to Schultz and Wehmeier (2010) neo-institutionalisation framework were classified into themes, using NVIVO. Notes were also made of attempts to apply any of the communication and sensemaking theories.

## **12.4 Results and Discussion**

This section details the research results. It details evidence of the macro, meso and micro-level influences found in reports published by BHP, Westpac and Westfield, including evidence of communication strategies, most notably amoralising and moralising communication techniques, impressions management, managerial capture and signalling.

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<sup>1</sup>In the instances where there has been a change in company structure and company name, as was the case with Westfield, who have traded as Westfield Holdings Ltd, Westfield Corporation, Westfield Group, Westfield Retail Trust, Westfield America, and recently as Scentre Group.

## **12.5 Macro**

There has been evidence of numerous macro-level institutional influences that have affected the development of CSR reporting. Examples of these influences have included coercive, mimetic, and normative isomorphic pressures.

### ***12.5.1 Coercive Pressures***

#### **12.5.1.1 Regulatory Pressure**

Within Australia, CSR reporting remains voluntary, however there has been some regulatory pressure CSR influences in corporate governance reporting requirements as well as carbon emissions reporting.

#### **12.5.1.2 Corporate Governance Statements**

The introduction of a corporate governance statement could be considered to be the result of an isomorphic, coercive regulatory pressure (Du Plessis et al. 2014). In 1994, BHP had reported its first corporate governance statement, while Westpac and Westfield incorporated their first corporate governance statements in 1995 and 1996 respectively. Unlike BHP and Westpac, however Westfield's corporate statement made no references to ethical codes of conduct until 2004 when it was enforced by the Australian Stock Exchange (ASX).

The ASX formed the Corporate Governance Council in 2002, and released its first Corporate Governance Principles in March 2003, (Rao et al. 2012) which included nine principles intended to protect the interests of shareholders; however, in 2007, the ASX added a tenth for firms to also consider stakeholders' interests. It is not compulsory for Australian firms listed on the (ASX) to submit a corporate governance statement that addresses these ten principles, however the firm must submit an explanation to the ASX if they do not comply (Rao et al. 2012).

#### **12.5.1.3 Stakeholder Pressure**

The absence of Australian government regulation enforcement for CSR reporting makes CSR reporting voluntary. Therefore another explanation must be provided as to why and how CSR reporting has become institutionalised in Australia.

In 1992 the annual reports were brief compared to those published from the late 1990s. Early on it was clear that the target audience was the shareholder and their interests in wealth maximisation. If there was any reference regarding employee

conduct, environmental, health and safety, or community involvement, it was typically brief and no more than four paragraphs.

As a further example, BHP 1992 report included only five pages of information about the company's performance, strategies and corporate goals and 80 pages dedicated to the company's financial reports. Further there was no reference made in BHP's report regarding the ongoing environmental and community impact from the Ok Tedi mining tailings dam collapse in Papua New Guinea in 1985. However BHP's value statement did include references to CSR by stating that BHP was committed to: '... providing satisfying work and meaningful careers for all employees', and "carrying out all aspects of its operations in a responsible manner in the countries and communities in which it operates' (BHP 1992, p. 6). By contrast, in 2015, BHP's annual report was 324 pages in length, and its sustainability report 74 pages.

Similar to BHP, Westpac 1992 annual reports were also brief and intended for shareholder audiences. Westfield 1992 report was 43 pages, and its shareholder focus is summed up in its company aim, which is 'to continuously add value to our shareholders' investment while simultaneously promoting the best possible environment for all our retailers' (Westfield 1992, p. 3).

One plausible explanation for these changes in CSR reporting is that the firms have responded to stakeholder demands (Lindblom 1994; Morsing and Schultz 2006). Evidence of stakeholder pressure in CSR reports published by the three firms may be found when the firm has responded to stakeholder concern over a particular issue.

One such example is in 2006, when Westfield stated that

Like many companies, Westfield has been responding to the growing global concern about climate change, water and energy conservation, and waste management. As you would expect, much of this response has been led by the board and senior executive team. But what is perhaps more encouraging has been the response of Westfield employees who have themselves introduced hundreds of initiatives across the Group, at all levels, to minimise our impact on the environment and contribute to the communities in more meaningful ways. (Westfield 2006, p. 18)

Another is BHP's 2011 response to hydraulic fracturing:

We recognise that community concern exists over the extraction process, which involves 'hydraulic fracturing', and the possibility of groundwater contamination in certain situations. Our shale gas operations will be conducted to the same standards as all other BHP Billiton Petroleum operations, with the same goal of protecting the health and safety of our people, the environment and our communities. (BHP 2011, p. 13)

Other examples include when the three firms have reported on 'consulting with communities', 'public forums', 'engaging with stakeholders', 'providing opportunities for feedback', 'liaising with indigenous communities', to name a few.

### 12.5.1.4 Industry Associations

Industry associations form another type of regulatory pressure and are established to advocate political interests, as well as ensure that members behave in a socially responsible manner (Campbell 2007). Industry associations therefore provide a form of self-regulatory pressure for member firms and a means for firms to retain legitimacy. This type of self-regulation is often sanctioned by governments, particularly when the firm is a multi-national firm such as BHP that operates globally and it would be difficult to regulate the firms' behaviour in each individual country.

Each of the three firms belong to a number of industry associations—BHP to the International Council on Mining and Metals (ICMM), Westpac are members of the Australian Business and Climate Group (ABCG), while Westfield is a member of the International Council of Shopping Centers (ICSC).

The effectiveness of industry associations to self-regulate corporate behaviour is dependent on external stakeholder monitoring (Campbell 2007). Stakeholder monitoring is essential to ensure that standards are maintained and adhered to. This is especially important when large firms such as BHP and Westpac have influenced the development of industry standards. For example, BHP has contributed to the policy development of the ICMM's Sustainable Development Framework (Fonseca 2010).

## 12.5.2 *Mimetic Pressures*

### 12.5.2.1 Global Reporting Indicators (GRI)

Evidence of mimetic isomorphic pressure that can be found in the CSR reports includes the adoption of the Global Reporting Indicators (GRI) as well as the inclusion of independent assurance statements. Established in 1997, the function of the GRI is a form of triple bottom line reporting which uses a series of reporting indicators and criteria designed to encourage companies to adopt environmental practices (Nikolaeva and Bicho 2011).

In the early 2000s, CSR reporting attracted criticism for being nothing more than a public relations tool or a way to attract customers or investors (Tschopp and Nastanski 2014). In response, firms began to adopt sustainable accounting tools such as triple bottom line reports, which included performance indicators, and measurements, as well as the financial costs of their environmental impact. Consequently the adoption of the GRI by the three firms could be considered the result of a coercive pressures from stakeholders, but also the result of mimetic pressures from other firms adopting GRI as a reporting tool (Othman et al. 2011).

The GRI has been adopted by each of the three firms along with other international standards including the United Nations Global Compact. Westpac and BHP adopted GRI as a reporting tool in 2002, however Westfield did not adopt it until 2011.

The widespread global adoption of the GRI, including those firms who have lower CSR risk could be attributed to mimetic isomorphic pressures influencing the institutionalisation of CSR. The adoption of GRI principles is a voluntary reporting tool, and preparing a GRI report represents additional costs to the organisation (Kolk and Perego 2014). Early adopters of the GRI such as Westpac gained a competitive advantage over other financial institutions.

Late adopters of the GRI such as Westfield were more likely to have implemented GRI reports because it was considered best practice, as well as in response to competitive pressures from other organisations. Therefore the adoption of the GRI is seen to be a tool for achieving legitimacy, but also as a signalling tool. In the 2007 Sustainability Report, the CEO stated that

As a member of the International Council on Mining and Metals (ICMM), we have committed to superior business practices in sustainable development. We have committed to implement the ICMM Sustainable Development Framework and comply with policy statements of the ICMM Council. Details are given in the Full Sustainability Report, which has been prepared in accordance with the Global Reporting Initiative (GRI) 2006 Sustainability Reporting Guidelines. We believe the Report provides a balanced and reasonable representation of our economic, environmental and social performance. (BHP 2007)

BHP is thus signalling that by adhering to the GRI, and the ICMM sustainable development framework, their business also has superior business practices. Further the economic dimension of GRI gives the market the impression that business wealth information has also been independently verified.

As a signalling tool, CSR reporting, including the GRI can be used by managers as a way to convey messages to the markets about the environmental and social risks to the firm, as well as managerial competence (Kolk and Perego 2014). Kolk and Perego (2014) however noted that some firms are not using the GRI any longer. The reasons are because the economic benefits of using the measures to the firm are not clear, and the difficulty in accurately measuring sustainability costs.

### 12.5.2.2 Independent Assurance

Assurance statements are intended to enhance the credibility of CSR reporting and reassure stakeholders that CSR information has been independently verified (Cohen and Simnett 2014; O'Dwyer and Owen 2005; Simnett and Nugent 2007). Independent assurance and auditing of CSR practices are intended to complement the internal governance and monitoring of CSR activities and reporting, thereby enhancing the firm's legitimacy. In addition, by providing independent assurance statements (such as those from global accounting firms like KPMG, and Ernst & Young) the firm signals it's CSR reporting risks have been managed and assured, therefore reducing risks to shareholders (Kolk 2008).

BHP included its first CSR Assurance Statements in 2001; Westpac in 2002, however Westfield did not to seek external assurance because of the voluntary



nature of CSR reporting (Westfield 2014). In its 2014 sustainability report, Westfield stated that

Current practice is not to seek external assurance over the performance indicators disclosed in the sustainability report, as assurance is voluntary and the rigorous data collection and collation process is expected to reduce the risk of material misstatement. (Westfield 2014, p. 59).

External assurance statements form an isomorphic mimetic pressure to companies. By not providing external assurance statement with its sustainability report Westfield risks losing legitimacy for its sustainability report.

### **12.5.3 Normative Pressures**

#### **12.5.3.1 CSR in Business Education**

Normative isomorphic pressures that have contributed to the neo-institutionalisation of CSR could include the incorporation of CSR and business ethic subjects within business education (Wright and Bennett 2011), however evidence of this cannot be found in the CSR reporting published in this study. Therefore, it does not appear to be possible to isolate direct examples of normative isomorphic pressures in the content of the CSR reports.

#### **12.5.3.2 Meso**

There were an increasing number of references to CSR evident in annual reports published by BHP and Westpac between 1996 and 2000. This suggested they had begun to engage in meso-level activities as part of the neo-institutionalisation process. For example, by 1996 BHP included more references to its responsibilities to the community and the environment (BHP 1996). In 1997, Westpac applied the term 'stakeholders' for the first time within the context of corporate governance, however in this report, Westpac also emphasised that the priority of its business was to generate sustainable shareholder value (Westpac 1997).

BHP applied the term 'stakeholder' for the first time in reference to consulting with stakeholders during the drafting process of the Queensland government's Environmental Protection Policy for Mining (BHP 1998). Further, 1997 was the first year that Westpac began to report on its environmental and community strategies, policies and actions. With only three exceptions Westpac's use of the word 'environment' largely referred to the competitive or operating environment in a business sense (Westpac 1997).

## ‘Stand-Alone’ Sustainability Reporting

The way that firms interpret macro-level pressures and translate them into CSR strategies, actions and reports reflects on the meso-level influences of the neo-institutionalisation of CSR by firms (Schultz and Wehmeier 2010).

BHP began publishing a separate ‘Environment Report’ in 1997, while Westpac published its first stand-alone ‘Social Impact Report’ in 2002. Westfield, however did not publish its first stand-alone sustainability report until 2011. Westfield’s first stand-alone sustainability report could only be viewed as part of an interactive online reader. By using this ‘interactive online’ format for publishing its report, as opposed to a more conventional format such as those published by other firms, it made the report look more like a glossy webpage than an official publication. It did however include a GRI report and detail its environmental, economic and social initiatives, as well as statements from the Chairman and the Co-CEOs.

Conversely, by 2009, Westpac had stopped publishing a separate sustainability report, opting instead for an integrated report, which included CSR and financial information (Westpac 2009). Westpac stated its motivation for merging the two reports as being representative of the how CSR had been integrated into its business. For example,

By seeking to embed sustainability within business processes and decision-making, writing about ‘sustainability’ becomes increasingly difficult to do in isolation. It is for this reason that we have not produced a separate sustainability report, because it is no longer considered separate. Information previously reported in a separate Stakeholder Impact Report is now within this Annual Review, or online. (Westpac Annual Review 2009, p. 25)

Kolk (2008) identified integrated reporting as a new phenomenon whereby sustainability reporting could become more linked to corporate governance and core business operations. However he noted that in many instances, although CSR reporting and financial reports were contained within a single published report, sections about sustainability were still reported separately from other business and financial reporting information (Kolk 2008). This was the case for Westpac, who still reported their annual financial reporting information in a separate report. Milne and Gray (2013) however present stronger concern about the introduction of integrated reporting techniques because they suggest that it may provide firms with greater opportunities to engage in managerial capture and impressions management communication strategies.

## 12.6 Micro

Disentangling evidence of meso-level activities from micro-level CSR policies provided some challenges because of the interrelationships between people and organisations (Nijof and Jeurissen 2010). ‘People create, maintain, and control organisations, yet organisations attain a life of their own and often overshadow,

constrain and manipulate their members' (Poole and McPhee 1983 *in* Nijof and Jeurissen 2010, p. 316).

For the purposes of this research, micro-level influences have been interpreted as being how firms have internalised CSR using human resources policies, including learning and development programs as well as the individual actions of employees. Since 1992, CSR reporting reveals that each of the three firms have internalised CSR policies. The range of measures reported on have included the creation of an environmental or sustainability committee at board level.

BHP created its Environmental Committee in 1991, Westpac created its Social Responsibility Committee in 2001, while Westfield did not create a sustainability committee at board level. Instead it delegated the responsibility for managing sustainability to the General Manager Facilities and Sustainability at executive manager level in each country. Westfield explains its choice to not create a board level sustainability report in its 2011 Annual report by stating that sustainability is ultimately the responsibility of all board members as outlined in its corporate governance policies (Westfield Sustainability Report 2011).

Another example of how firms have institutionalised CSR internally includes implementing CSR related human resources policies such as the incorporation of CSR performance targets in job descriptions, with CSR-based remuneration incentives. In 2003, BHP reported that it had introduced a group incentive scheme which was linked to health, safety and environmental measures at group or individual level. Westpac also introduced CSR performance remuneration incentives in 2003. While, Westfield stated in their 2007 Annual Reports that executive management's remuneration packages were linked to sustainability performance measures.

A further example of a human resources policy referred to in CSR reporting that reflects the institutionalisation of CSR include are those that providing training for cultural awareness. For example in 2014, BHP stated that it provides

...cultural awareness and competency training for employees and contractors who engage with Indigenous peoples from our host communities. (BHP 2014, p. 55)

Westfield and Westpac have provided no references to such policies in their CSR reporting, however Westpac provides three year secondment opportunities for staff to work with indigenous communities (Westpac 2001).

Furthermore, each of the three firms have engaged in philanthropic activities including matching employee donations to charities and encouraging staff participation in volunteering activities. For instance, BHP stated in 1992 that it made donations to various charities from its Community Trust philanthropic fund (BHP 1992). Westpac reported that it had provided sponsorship for an emergency services rescue helicopter in NSW since 1973 (Westpac 1995). In 1997, Westfield stated that had established a Foundation to administer various philanthropic interests in the areas of medical research, the arts, junior sport, education and community services (Westfield 1997).

## 12.6.1 *Communication Strategies*

### 12.6.1.1 Impressions Management and Signalling

Throughout the reports there has been some evidence of impressions management and signalling theory techniques about the value of the firm and the ability to address its risks. These communications strategies elucidate how firms have used CSR as a symbolic communication tool.

In its 1992 report, Westpac mentioned its need to restore its reputational image following a share price crisis caused by its exposure to bad loans during the 1990–91 economic recession.

Westpac has been the subject of substantial media coverage over the past year or so. Some criticisms have been justified, but many have not. This has resulted in the Bank's reputation, built up over its long history, being questioned and reassessed. Protecting and restoring this reputation and image is critical.

Westpac has been the subject of substantial media coverage over the past year or so. Some criticisms have been justified, but many have not. This has resulted in the Bank's reputation, built up over its long history, being questioned and reassessed. Protecting and restoring this reputation and image is critical. (Westpac 1992)

These responses reflected on the macro-level isomorphic pressure from stakeholders, but also demonstrate the bank managing its impressions and trying to restore public image. This could also be considered to be a form of signalling communication saying that while its share price was low during the crises, it is managing the crises and once it restores its image, its share price will return to normal.

Westpac also referred to its continuing support for farming enterprises during times of hardship.

The Bank continued to work with rural customers and organisations representing the agricultural industry, to address the rural segment's special needs. The Bank has regularly affirmed support for viable farming enterprises during a time where the personal trauma and dislocation, occasioned by the rural industry's structural reforms, have received widespread publicity. (Westpac 1992, p. 11)

In this narrative, Westpac is referring to its continuing support to the agricultural industry during a time of hardship, and its support for the rural community, however the statement also reflects its impressions management strategy. When the rural industry is already receiving publicity about its hardships, Westpac's statement suggests that it is avoiding attracting negative publicity by continuing its support rather than foreclosing on struggling farming businesses. Westpac however addressed its responsibilities to staff following significant reductions in staff numbers between 1990 and 1991 of 15.8%, in a single sentence stating that; 'redeployment, outplacement, counselling and job-seeking services were provided for staff who were displaced' (Westpac 1992).

In the late 1990s, public condemnation regarding the social impacts of changes in banking operations had grown significantly (Bartlett et al. 2007). This is reflected in Westpac 1998 annual report which showed that it had begun to address criticisms from customers regarding its decisions to close bank branches in favour of offering electronic banking services instead (Westpac 1998). The Chairman's Report in the Annual Report stated:

Across Australia and New Zealand, many feel pressured into doing their banking differently. And some customers' branches have closed or changed shape because their community's population and business base has declined. Let me stress, however, that banks are almost never the first to leave these communities. Normally they are the last major business to close. In rural communities, particularly, these closures often draw heated public reaction because they confront the community's perceptions of their own town's future.

I recently toured Australia to talk with shareholders, many of whom are also our customers. I heard your comments and understand the depth of your feelings. Many spoke positively about the way Westpac is changing. But equally, some felt our service aims were platitudes, that our goal to hold onto customers' problems until fixed, for example, had not fully percolated to our frontline. (Westpac 1998, p. 14)

This also highlights Westpac's response to stakeholder-influenced coercive pressures in response to bank closures by being forced to defend its actions and engage in impressions management strategy which include the Chairman visiting communities where branches were being closed.

### 12.6.1.2 Managerial Capture

There has also been evidence of managerial capture where the firms have applied the terms 'sustainability' or 'environment' within the context of sustainable business development. For example the Westfield Sustainability Report 2014 noted

Shoppers themselves are now more connected than ever, and many retailers are equally advanced in their connection with the digital world. Just as with our physical malls, Westfield sees its role in this connected environment as a catalyst to bring these two groups together, so they can connect before, during and after their visits to our centres' (Westfield 2014, p. 23).

Another similar example of managerial capture is when the sale of a product is conveyed as being evidence of the delivery of a social benefit. The Westpac Annual Review and Sustainability Report 2014 noted

We are committed to helping Australians and Australia be more successful. We're innovating to make banking easier and to provide banking anywhere, anytime. We're proudly backing Australian businesses and we're continuing to make a difference, locally, for the communities in which we operate. (Westpac 2014, p. 15)

There has also been evidence of when BHP and Westpac have used been influencers in CSR policy development. This includes being involve in CSR policy advisory groups to government, and industry associations to advise how environmental regulations should be enforced.

Examples of these firms involvement in policy development include the following statements

**Westpac Stakeholder Impact Report 2008:**

This year has been an intense one for policy development. We have played an active role with submissions on the emissions trading Green Paper and Garnaut Review. The submissions are available on our website and support the implementation of a robust, deep and liquid emissions trading market (Westpac 2008, p. 20).

**BHP Sustainability Report 2012:**

We take an active role in climate change policy development in the key regions where we operate. (BHP 2012, p. 19)

Another example is BHP's role in developing the Sustainable Development standards for the International Mining and Minerals Committee in 2001. In these instances it is difficult not to consider that these firms have used their influence for their benefit.

Table 12.1 provides a summary of the preceding discussion on the CSR reporting and the Schultz and Wehmeier's (2010) framework.

## 12.7 Conclusion

The results of this three company study show that generally the CSR reports can be analysed using Schultz and Wehmeier (2010) framework. This framework provided a tool to examine the influences that have contributed to the development of neo-institutionalisation CSR. The analysis indicates evidence of coercive pressures, including regulatory and stakeholder pressures, and mimetic pressures across each of the three firms. Further, the institutionalisation influences have resulted in CSR reports becoming increasingly sophisticated and detailed. Firms now include CSR actions, strategies, policies, performance metrics, independent assurance statements, and other governance measures, including a sustainability committee at board level.

This research also found evidence of managerial capture, signaling theory and impressions management at different times where firms have used communication and sensemaking theories in an attempt to manipulate stakeholders' understanding of the firm, and CSR. Consequently, there have been instances where firms' have jeopardised the credibility of reports by engaging in such behaviours. Moreover, it is likely that macro-environmental institutional influences, namely mimetic pressures have enabled manipulative communication and sensemaking strategies to affect the translation and understanding of CSR from one firm to another, thus affecting the credibility of CSR reporting in Australia.

This research was not intended to demonstrate causal relationships concerning the transmission of such communication strategies from one firm to another. However, in the absence of Australian government regulations defining and enforcing CSR reporting practices, it is reasonable to surmise that firms are more

**Table 12.1** Neo-Institutionalisation Influences on BHP, Westpac and Westfield

Neo-institutionalisation influences	BHP	Westpac	Westfield
<i>Macro-environmental level institutional and environmental pressures</i>			
Coercive isomorphic pressure			
Regulatory	Y	Y	Y
Corporate governance statements?	Y	Y	Y
Date first corporate governance statements published	1994	1995	2004
Stakeholder pressure	Y	Y	N
Industry associations	Y	Y	Y
Mimetic isomorphic pressure	Y	Y	Y
GRI	Y	Y	Y
Date first GRI report published	2002	2002	2011
Independent assurance	Y	Y	N
Normative isomorphic pressure	N	N	N
<i>Meso- level institutionalisation pressures</i>			
Stand-alone sustainability reporting	1997	2002	2011
Micro- level institutionalisation pressures	Y	Y	Y
<i>Communication and sensemaking strategies</i>			
Impressions management and signalling	Y	Y	Y
Managerial capture	Y	Y	Y

likely to seek guidance by reviewing CSR reports published by other firms. It is this form of mimeses that encourages the transmission of CSR reporting communication strategies and therefore affects the credibility of CSR and CSR reporting. Thus, these findings suggest that the neo-institutionalisation of CSR has affected the development and credibility of CSR reporting in Australia.

Despite these results, it was not possible to find plausible evidence of normative isomorphic pressure in either of the three firms' reports. The only exceptions were when the firms provided contact details for a sustainability department in the corporate directory section of the report. Although indirect indications of normative isomorphic pressures influencing professional norms may be reflected by the increasing number of business schools in Australia that have incorporated a compulsory CSR subject with their MBA programs, this result was outside of the scope of the research findings.

The findings of this study are limited because they are based on a review of published reports from only three companies. Results could be enhanced by extending the number of companies, and involve more industries. Differing methodologies such as interviewing key representatives may provide further information, particularly those which would examine the actions of individuals at the micro-level. Despite these limitations, the length of the analysis provides solid evidence that CSR reporting has become institutionalised. Interestingly, not all of these CSR reporting strategies necessarily improve the credibility of CSR reports.

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# Chapter 13

## Social Responsibility in Higher Educational Institutions: An Exploratory Study

Lina Gómez, Aileen Pujols, Yanitzary Alvarado and Lucely Vargas

**Abstract** The practice of social responsibility does not limit only to corporations, companies or NGOs, universities are also responsible for all the impacts that cause their operations towards their publics, the society at large and the environment. University social responsibility (USR) is a recent concept and practice developed in Hispanic America which has not been explored and studied extensively in other parts of the world (Nejati et al. 2011; Gomez and Vargas-Preciado 2013). USR differs from Corporate Social Responsibility (CSR) because it presents specific impacts, which are related to learning and research production that only concerns to educational institutions. This chapter has the purpose to identify and analyze social responsibility attitudes and perceptions among some internal publics of a private university in Puerto Rico. This exploratory study takes into consideration the methodology of Vallaey's et al. (2009), which published the first guideline for advising universities in engaging in social responsibility practices. On one hand, educational impacts refer to the process of teaching–learning and how the curriculum is developed. On the other hand, cognitive impacts include all the theoretical approaches, research lines and production and dissemination of knowledge and how it contributes to the quality of life of society. This study uses a quantitative methodology, through the implementation of surveys to identify internal public perceptions and attitudes. Surveys were administered among the most important internal group of publics of universities: students. The sample consists of 356 students and has an error margin of 5% and confidence level of 95%. Higher educational institutions are a key organizational citizen in the promotion of social responsibility and sustainable development among future professionals. The practice of USR centres in a mutual relationship between universities and its internal and external publics. Internal publics are important pieces in a responsible learning process that includes the involvement of external publics like local communities, government, alumni. In other words, curriculum, learning, teaching and research are

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improved thanks to the feedback and involvement of external publics. This is fundamental because universities must contribute in the sustainable development of society, improving the quality of life of all the publics they served.

**Keywords** University social responsibility · Higher education institutions · Knowledge management · Puerto Rico · Transparency

### 13.1 Introduction

Social responsibility refers to the ethical and legal commitments that organizations have towards its publics or stakeholders. Any type of organization has a social responsibility with the society, environment and economy because organizations must assure that their operations do not cause harm to their publics and society at large. According to Crowther and Aras (2008), the concept of social responsibility initiated many decades ago in the corporate world as CSR. The practice of social responsibility does not concern only to corporations or companies, higher educational institutions are also responsible for the impacts that their operations and activities cause in diverse groups such as students, staff, faculty, alumni, local communities, media, NGOs, among others. However, little attention has been draw to how students can contribute or engage in social responsibility initiatives and activities (Ahmad 2012). Universities, then, present a social commitment in educate and train students with the skills and competences they need for understanding and applying the practice of social responsibility in their future work place (Matten and Moon 2004). Students cannot be unaware of the real problems of the society and the different challenges it is facing, therefore, it is important to educate students to cope with present demands in different areas such as community engagement (Ahmad 2012).

University Social Responsibility (USR) is a recent concept and practice in the academic world. It has been studied and practiced in Latin America and Spain more than a decade ago. In other parts of the world, USR has not been studied and explored sufficiently (Nejati et al. 2011; Gomez and Vargas-Preciado 2013). According to Nejati et al. (2011), world university rankings are centred, for example, in the number of faculty publications, number of students, but not in the research applicability and how this can improve the quality of life of communities. This is one of the components of USR that is not usually included in philanthropic or community engagement efforts of universities. Most of the times this aspect is neglected (in university initiatives and research studies) and it is important to identify and understand how the production of knowledge (research projects) is correlated with impacting positively local communities, because they cannot be disarticulated. USR then, it is defined as the way universities are socially responsible towards its publics beyond their basic functions such as teaching and research. USR proposes that universities should educate responsible professionals and citizens and also to contribute to the economic, social and cultural development,

promoting social justice (De la Cruz Ayuso and Sasia Santos 2008). Universities must promote an interdisciplinary and multidisciplinary work among diverse actors such as faculty, scholars, deans, staff, students and external publics that is based on ethical learning (Bacigalupo 2008).

Although USR in Latin America has been studied, little evidence on best practices and priorities to articulate USR is still scarce, especially in the Caribbean. According to Vázquez et al. (2013), empirical studies of best practices can help to better understand undergraduates' demands for further education on social responsibility. In this context, this exploratory study analyzes the perceptions and attitudes of internal publics (e.g. students) of a private university in Puerto Rico regarding social responsibility.

### **13.2 What Is University Social Responsibility and Why It Is Important?**

In 2001, thirteen universities in Latin America, in partnership with the Inter-American Development Bank (IDB), developed the initiative "Ethics, Social Capital and Development". This with the purpose of promoting the importance of implementing socially responsible practices that go beyond traditional volunteering opportunities and community commitment (Vallaey 2007). Thanks to this initiative, the concept of USR was born, and after this, the USR practice has grown in importance and acknowledgment among higher educational institutions in Latin American and Spain. The first definition of USR was developed by a group of Chilean university through the project "University build country" between 2001 and 2005. USR was defined as the ability to develop and promote a group of principles and values through the development of four phrases: manage, teach, research and community commitment (Hernández and Saldarriaga 2009). According to Grigore et al. (2013) the concept of USR emerged as a consequence of the roles that universities play in society, and involves the responsibility of students, academics, staff and community in the process, contributing to the development of society.

USR is not the same as community commitment or engagement. Through community engagement, universities usually express their commitment only with local communities. In fact, these initiatives are unarticulated from the bottom line of universities, and usually they are developed to promote one-way communication, without engaging in dialogues (Dirección Académica de Responsabilidad Social 2009). In United States and Europe, the concept "university social responsibility is not common. In US the tendency is to apply the concept of sustainability in the curriculum and in initiatives around campus, mostly related to recycling, responsible consumption and energy saving (Gómez and Vargas-Preciado 2013). USR includes other areas that are important in securing the well-being of universities and their publics. These are related to professional and citizen education, and

knowledge management (in other words, how research projects help to improve the quality of life of society). Today, universities must go beyond philanthropy and community commitment efforts, and develop strategies build on social responsibility (for campus operations, teaching and research processes) (Sánchez-Hernández and Mainardes 2016).

USR is different from Corporate Social Responsibility (CSR) because universities present a public service through two approaches (1) professional and human education, and (2) construction and diffusion of new knowledge (González-Alcántara et al. 2010). Although many universities indicate that they are socially responsible by nature, the reality is that any institution can generate negative impacts (without knowing) no matter if their mission or purpose is aligned to the needs and welfare of society (Vallaey 2008). Studies have found that universities can generate negative impact towards the environment (Jabbour 2010). Universities, as any other responsible citizen, present impacts toward the economy, society and environment due to the high number of people and vehicles around campus, high consumption of materials and the development of complex activities, among others.

When universities develop social responsible activities or initiatives, especially about responsible campus, social participation and professional and citizen education, student retention can be improved (Rueda and Mantilla 2014). Furthermore, university should promote critical thinking about the emergent society with the interest for social problems (Vasilescu et al. 2010) and this thinking should pass beyond classroom discussion. For instance, through service learning, students are putting in practice what they learn in the classroom and engaging in problem/solving efforts that can impact community groups. This means that three or more key groups of stakeholders (faculty, students, local communities, NGOs) are working towards a mutual goal in a particular initiative that can positively impact others. According to Aldenuava-Fernández (2013), stakeholders are a basic pillar in the practice of USR, in fact, covering their needs is fundamental for the continuous development of universities.

### **13.3 A Management Model to Develop and Evaluate USR**

Organizations present different types of impacts towards publics and the society at large (in addition to the environment). Two of these impacts are shared by all organizations no matter their type, size or industry (NGOs, companies, universities) and these are organizational and social (Vallaey et al. 2009). These two types of impacts involve internal publics, ecological footprint and local communities. However, two other impacts (educational and cognitive) are specifically for universities (González-Alcántara et al. 2010), because these educational institutions are the ones in charge of educating new generations and in the definition and development of knowledge production.

According to Vallaey's et al. (2009), organizational impacts include the way universities guarantee work climate and a responsible university life. These kind of impacts involve internal publics (students, faculty and administrative personnel). Organizational impacts include also impacts related to environment, for example, about the way campus operations are managed to generate responsible consumption, in areas such as recycling, transportation, energy, waste recollection, contamination, etc.

Educational impacts refer to the process of teaching–learning and how the curriculum is developed around ethical and socially responsible real issues that includes the participation of external actors and solid communication structures (González-Alcántara et al. 2010). Cognitive impacts include all the theoretical and epistemological approaches, research lines and production and dissemination of knowledge that contributes in the development of processes related to the well-being of society (González-Alcántara et al. 2010; Dominguez-Pachón 2009). Lastly, social impacts refer to the participation of universities (including key publics such as students and faculty) in the development of local communities and social capital (Dominguez-Pachón 2009).

Vallaey's et al. (2009) explains that when universities identify their unique impacts (organizational, educational, cognitive and social), no matter if they are positive or negative, they must define and articulate their initiatives, efforts, activities, and policies regarding social responsibility according to four focused areas: responsible campus, professional and citizen formation, knowledge management, and social participation. These four key areas are always interconnected to promote the development of responsible processes and practices.

Universities should provide a responsible campus, which corresponds to how organizational impacts are managed around campus for promoting quality of life among its internal publics, such as faculty, staff and students, including the responsibility for the environment (Dominguez-Pachón 2009). A responsible campus also includes how work climate, student life, human resources, and internal communication is managed. The second key area, professional and citizenship education, includes the process of educating responsible professionals. This means the curricula should have a close relation with social problems and it must include the collaboration and participation of external actors that are involved in social problems (Carrizo 2004), so students can be part in the contribution to resolve problems. However, today universities are not including courses about social responsibility in the curricula. More than a half of graduate business schools in the US are not including courses related to social responsibility (Gomez and Vargas-Preciado 2013). This should be the first step for engaging students in the importance and development of sustainable and responsible practices (arisen in the classroom or university initiatives) that can impact different groups of publics, especially local communities.

The third key area, knowledge management, refers to knowledge production and diffusion, being one of the most difficult and challenged aspects for universities (González-Alcantara et al. 2010). Universities are in charge of producing knowledge that contributes in the quality of life of society and environment, engaging in

partnerships with external agents. The fourth and last key area is social participation and it refers to the creation of knowledge and participative processes with local communities in the solution of problems with the purpose to reach sustainable development (Dominguez-Pachón 2009). The purpose is unifying universities with local communities in order to improve communications and build participative mechanisms that involve mutual learning. In fact, promoting awareness and dialogue about social responsibility in university scenarios can help to increase accountability, transparency and integrity (Elobeid et al. 2016). Then, promoting partnerships with local communities where key internal actors are involved (students, faculty and administrative personnel) is a fundamental aspect in the contribution of a socially responsible process of universities.

### **13.4 The Practice of University Social Responsibility in Hispanic America**

This chapter contributes in the literature on social responsibility particularly among higher educational institutions, because it takes a conceptual publication for real world application as explained above. Although there are several empirical studies about social responsibility in higher educational institutions in Hispanic America, only one (besides the one proposed here) analyzed all the different aspects that must be taken into account in the practice of USR.

Gómez et al. (2014) analyzed how internal publics (students, faculty and staff) of a public university in Puerto Rico perceived social responsibility practices, through the implementation of survey and focus groups. Preliminary results show that students perceived a fair involvement in the university towards social responsibility in assuring campus life, professional education, and social participation but more commitment is needed to contribute and really impact all publics in the involvement of social responsibility practices.

Other studies have been devoted to the study of USR in particular areas (such as environment or responsible campus, or responsible campus and social participation), specific disciplines or schools (business and engineering) or specific groups (students). In Uruguay, a study carried by Díaz Molina and Facal Santiago (2011), found that most of students from business disciplines, indicate that the promotion of initiatives to preserve the environment, are important in order to develop consciousness among students. However, they perceived that the university is not promoting awareness among them to respect and care for the environment, especially about the different environmental problems that society faces today. Most of the students believe these problems are important and should be discussed and practiced not only in their professional education but also at a personal level.

In Spain, there are different research projects that have address the topic of USR and how it is promoted. Fernández-Rodríguez (2013) analyzed the different strategies performed by five public Spanish universities when developing a USR



plan. Through a content analysis of USR annual reports, Fernández-Rodríguez (2013) found that it is needed a system of reliable indicators to make comparisons between institutions, identify how the practice has evolved, and detect new trends. Although there is a great diffusion and acceptance of the practice of social responsibility among Spanish universities, the majority of universities are promoting isolated efforts or initiatives. Social responsibility must be central in the operational and management system of universities.

González-Alcantará et al. (2010) performed a quantitative content analysis (in websites and annual reports) of 76 public and private Spanish universities and found that only 28% of them said that are doing social responsible initiatives (which 95% are public institutions). They also found that a higher number of students (between 10,000 and 40,000 at least) and administrative personnel (between 251 and 500 and 1501 and 2500) influence if a university engages in social responsibility or not. This is the only variable they found that correlates with the engagement of social responsibility initiatives. In addition, only 30% of the universities promote social responsibility and citizenship commitment in the teaching process.

Another Spanish study by Ruiz Mora and Soria Ibañez (2009) evaluated the presence of social responsibility initiatives in universities in Spain through a quantitative content analysis of 10 websites. They found that universities are not familiar with USR because 90% of them are not integrating the concept in different areas. A study by Vázquez et al. (2015) reflects on Spanish students' view on USR, in the wake of a study taken place in the University of León in Spain. Its major findings include that the university should emphasize in paying attention to USR regarding environmental and social values, research, internal management and external projection, therefore, increasing student services quality and satisfaction among the student body.

In Uruguay, Vázquez et al. (2013) examined the perceptions of business students at the Catholic University of Uruguay, towards social responsibility, using a survey technique. It concluded that the students perceived a general university's commitment to the education of CSR in academic programmes. It showed a high demand of education in issues that concern relationships between employees and consumers and environmental sustainability. Finally, a study was carried out in Colombia (Hernández and Saldarriaga 2009) specifically among students, administrative personnel, and faculty in the school of Engineering, to evaluate how social responsibility practices are perceived. Authors found that faculty and students perceived the school commitment was fair while administrative personnel believe it was excellent. All publics considered that new elements must be implemented for strengthening academic life.

The research work regarding social responsibility showcased in this section points out the importance of continuing doing empirical work that can identify different patterns of how universities are working towards a responsible and sustainable future where all key internal and external publics are involved.

## 13.5 Methods

This exploratory and descriptive study uses a quantitative methodology for analyzing the attitudes of students towards social responsibility practices of a private university in Puerto Rico. A survey technique was used and the questionnaire was adapted from the methodology of Vallaeys et al. (2009). The questionnaire follows three of the four areas explained in the literature: responsible campus, professional and citizenship education and social participation. Knowledge management is not included in the questionnaire because this key area is devoted only for faculty as they are the responsible ones in charge of research production. The questionnaire presents a Likert scale with the following order, 1: Strongly disagree, 2: In disagree, 3: Partially in disagree, 4: Neutral, 5: Partially agree, 6: Agree, 7: Totally agree. A sample of 356 students was chosen of a population of 5,800 students. In order to select this sample (students), we use an error margin of 5% and confidence level of 95%.

As stated above, the students' questionnaire is divided in three areas: responsible campus, professional and citizen education, and social participation. Responsible campus refers to the responsible and ethical actions that universities perform related to daily life in campus (university life, work climate, environment, internal communication, etc.). A total of 17 questions were included in this area. Professional and citizen education includes questions about how universities prepare and educate students to be ethical and social responsible professionals and citizens, and be prepared for the challenges of tomorrow. A total of 10 questions were included in this area. Lastly, social participation (includes a total of 7 questions) describes the role of the university in performing partnerships and projects that positively impact local communities and society at large, promoting the involvement of internal publics (especially students and faculty) in the commitment and participation in these initiatives. Volunteer students that participated in the surveys were recruited among campus or previous authorization of a professor to administer the survey in the classroom. Only undergraduate students from the main campus (there are other smaller campuses around the island) were included but they belong from different schools and disciplines.

## 13.6 Findings and Discussion

Table 13.1 indicates the percentage of students surveyed in each school or department at the university, reflecting a diversity of disciplines and programmes. The School of Social and Human Sciences and Business were the two schools with a major representation due to its higher number of students enrolled in these programmes.

Fifty-nine percent of surveyed students are feminine while 41% are male. This is consistent with the proportion of enrolled students at the university which most are

**Table 13.1** Percentage of students surveyed in each school

School	Percentage of students surveyed (%)
Social and Human Sciences	25
Business	24
Hospitality and Culinary Arts	11
Health	15
Science and Technology	9
Education	9
Technical studies	7

**Table 13.2** Year of studies

School	Number of students surveyed (%)
First year	42
Second year	24
Third year	17
Fourth year	10
Fifth year	7

**Table 13.3** Number of students surveyed by age

Age group	Number of students surveyed (%)
15/19	44
20/25	50
26/35	4
36/45	1
46/55	1

feminine. Tables 13.2 and 13.3 show the percentage of students surveyed by year of studies and age group. Most of the students surveyed were in the age group of 20–25 (50%) and 15–19 (43%), which are consistent with the overall age group of students most found in this institution.

For each area of the questionnaire (responsible campus, professional and citizen education and social participation), the percentage for each Likert scale was obtained as shown in Table 13.4. As we can notice, students present a higher positive attitude in the area of responsible campus and professional and citizenship education, followed by social participation. The majority of the students (74%) agree (strongly, normal, and partially) that the institution is responsible in the different aspects that include developing and maintaining life in the campus. In the case of professional and citizenship education the results are similar, 74% of the students agree the university is educating them to be responsible students and citizens. Finally, 66% of the students agree (strongly, normal and partially) that the institution is doing a great performance in the area of social participation.

Table 13.5 shows basic descriptive statistics results for each key area using the Likert Scale response. As noticed in the table, the value 5.36 corresponds to the

**Table 13.4** Frequency percentages indicating how students agree with the three areas of USR evaluated

Area	Strongly disagree (%)	Disagree (%)	Partially disagree (%)	Neutral (%)	Partially agree (%)	Agree (%)	Strongly agree (%)
Responsible campus	4.7	3.1	5.0	12.5	18.0	26.4	30.3
Professional and citizen education	5.3	3.1	5.1	11.4	18.4	27.7	28.9
Social participation	6.0	4.0	6.7	14.8	17.9	25.6	24.9

**Table 13.5** Basic descriptive statistics by each key area

	Responsible campus	Professional and citizenship education	Social participation
Mean	5.36	5.34	5.11
Mode	7	7	6
Min	1	1	1
Max	7	7	7

mean found in all 17 questions for responsible campus, 5 is the value for “partially agree”. The values 5.34 and 5.11 corresponds, respectively, to the mean for the 10 questions for professional and citizenship education and the 7 questions asked in the social participation area. However, the mode in both responsible campus and professional and citizenship education is 7 with corresponds to the scale “strongly agree”. In addition, the minimum value found was 1 (strongly disagree) and the maximum value found was 7 (strongly agree). According to these results, the university is doing a fair performance in including social responsibility initiatives and actions in the three areas evaluated, including but not least, environment, responsible teaching and research, participation in the community, community relations, student life, workclimate and internal communication.

Each of the three areas evaluated in the survey present different subtopics that are showed on Table 13.6, which it also includes the results for the mean and standard deviation. The majority of the topics scored in the range of 5.0–5.9 (which corresponds to the scale of “partially agree”). However, it is curious to notice that some topics were scored as neutral. In the area of responsible campus, all the questions related to environment, for example “I have acquired ecological habits since I enrolled at this university” were scored neutral. This means that students did not recall any circumstances where the university is doing initiatives towards the environment, especially for promoting responsible and ecological consumption among students. This is consistent with previous studies (Díaz Molina and Facal Santiago 2011) which also found that most of the students agree that universities are not promoting or stimulating environmental consciousness and awareness for actual problems in local and global settings. In spite that these problems are crucial and

**Table 13.6** Mean and standard deviations of the items for evaluating responsible practices at universities

Key area	Topic	M	SD
Responsible campus	Interpersonal relations	5.4	1.60
	Life in the campus	5.3	1.68
	Respect between professors and students	5.6	1.44
	Zero discrimination	5.8	1.62
	Students with special needs	5.4	1.52
	Environmental responsibility	4.5	1.82
	Ecological habits	4.9	1.53
	Administrative decisions	5.2	1.54
	Principles (stated vs practiced)	5.0	1.61
	Freedom of liberty	5.5	1.63
	Transparent information	4.9	1.78
	Responsible advertising	5.6	1.44
	Relationships with other universities	5.4	1.61
	Responsible marketing	5.4	1.44
	Physical installations	5.4	1.70
	Available resources	5.6	1.69
Professional and citizenship education	Ethical education	5.6	1.46
	Responsible education	5.9	1.37
	Empathy	5.4	1.55
	Active citizens and environment	5.3	1.53
	Updated curriculum	5.4	1.49
	Development of social consciousness	5.6	1.54
	Social initiatives outside the classroom	4.5	2.07
	Teaching topics related with social problems	5.5	1.59
	Meet specialists in social problems	5.0	1.72
	Research projects to contribute in the solution of social problems	4.8	1.84
Social participation	Awareness of social problems	5.1	1.84
	Relation with NGOs and governmental organizations	4.9	1.67
	Interact with social sectors	5.2	1.57
	Participate in forums about social problems	5.1	1.62
	Volunteer initiatives	5.2	1.67
	Relation with community associations	4.6	2.02
	Contribution in the solution of social problems of the country	5.3	1.69

fundamental for students and they believe so, there are not crucial efforts and initiatives in these area. This could be an indication that most of responsibility efforts of universities in Hispanic America are related to social causes.

Another topic scored low was the dissemination and communication of transparent information. Students perceive that it is needed a better communication system but also the importance of communicating transparent and practical value information. In this private university the principal medium of communication with students is email and social media platforms such as Facebook. In the second key area, professional and citizenship education, the two topics that scored lower were related to the community and society at large. First, students indicate that professors are not including sufficient social initiatives outside the classroom, for example, to work with local communities, perhaps collecting food, clothes or other items for specific groups or organizations, clean beaches, etc. These kinds of community projects are part of the curriculum, so students are learning by serving others. Second, another important topic is to involve in research projects that can contribute in the solution of problems of local communities, organizations or the society at large. In other words, the involvement of professors, students and other groups in initiatives that can impact communities and resolve certain challenges.

Finally, in the key area of social participation, students perceived that the relations with NGOs and governmental organizations are not strongly enough and the same applies with the relationships with community associations. This indicates that universities must present a higher involvement with other key external actors in the development of responsible and sustainable efforts.

## 13.7 Conclusions

This exploratory study presented the different attitudes and perceptions of one of the internal publics most important of universities: students. Findings indicate that students perceive that their university is being socially responsible in a fair way. Students agree that the university is behaving socially responsible and sustainable towards the different publics and the three areas evaluated (campus responsible, professional and citizen education and social participation). Our research project also includes other internal publics (administrative personnel and faculty) for analyzing the perceptions of other important actors through the implementation of surveys. Surveys are being implemented and we expect to finish in a couple of months. When we finished coding all the data (from the surveys of the other two internal publics analyzed), we will perform comparisons among the different publics to see if there are similarities or differences, comparing the four areas and the questions in each area by topic. On one hand, administrative personnel surveys are designed taking into account the responsible campus and social participation key areas. On the other hand, faculty questionnaires are developed taking into account responsible campus, professional and citizenship education, knowledge management and social participation.

Students perceived an average commitment of the university towards the education and practice of social responsibility in the three key areas. However, findings point out that are some gaps in the commitment of environmental initiatives, the

education of the environment, the involvement of students in curricular activities beyond the classroom, through service learning approaches, and the development of key partnerships with external groups such as NGOs and local communities. Parra (2010) states that universities should develop strategies for promoting a social responsibility culture such as the importance of involvement students and faculty in the efforts and the development of policies that can answer publics' needs for the purpose of creating a consciousness and productive society.

Results suggest the influence of responsible practices in the higher education in Puerto Rico, at least in the private sector. However, it is important to continue incorporating training on the matter for providing students with the skills and abilities to become future responsible professionals in their personal and work environments. According to Vázquez et al. (2015), universities should align their educational programmes according to current society requirements, due to social responsibility can be considered as a source of sustainable socioeconomic welfare.

In order to promote the importance of social responsibility in universities, the first step is to implement social responsibility activities, efforts and real cases in the curriculum (Elobeid et al. 2016). Vasilescu et al. (2010) indicates that universities must work in the students' awareness to contribute in fulfilling the needs of the society. In other words, to be accountable to the whole society, involving personal improvement in the areas of climate change, recycling, global inequities and environment protection.

This chapter contributed in the practical application of conceptual models for detecting key strengths and weakness in the practice of social responsibility efforts and initiatives among private higher educational institutions in Puerto Rico. As stated by Fernández-Rodríguez (2013) it is fundamental that universities count with reliable indicators for identifying how the USR practice has evolved and for detecting new trends. Our study has provided the useful application of reliable and fundamental indicators which can also help in making comparisons regarding USR between institutions (including public vs private).

Future studies can analyze how the concept of USR is promoted by higher educational institutions (both public and private universities) in other regions such as United States, Canada and Europa. In addition, further studies can make comparisons among public and private universities, and between big and small universities, or teaching-focused and research focused, to see if the economic factor is the reason why a university is socially responsible, at sometimes it happens in the corporate world. Vennero (2011) found that there is a positive relation between student retention and the level of involvement in social responsibility practices. It is also important to evaluate the perceptions of all internal publics (students, faculty, and administrative personnel) and key external publics such as local communities, alumni, local media and NGOs. This with the purpose of establishing correlations among groups, so comparisons across groups can be performed.

Higher educational institutions are a key organizational citizen in the promotion of social responsibility and sustainable development among future professionals. The practice of USR represents a higher commitment towards different internal and external publics, where initiatives and efforts are aligned with every institutional

and academic process (Bacigalupo 2008). Internal publics (students, professors and staff) are key actors of a responsible knowledge process that must involve other external publics like local communities, government and alumni, among other groups. In other words, curricula, teaching, learning and research will improve thanks to the feedback and involvement of external publics. Therefore, it is important to involve key actors in the teaching–learning process and in research projects that universities are creating. It is required the development of collaborations and partnerships in conjunction with different groups of publics for educating citizens and professionals that are capable to design a more sustainable and socially responsible future.

According to Matten and Moon (2004), universities are the responsible entities in providing the adequate skills so students can understand what is USR and why it matters, so they can become ethical and responsible professionals. Social responsibility, then, must be part of the DNA of the university (mission, vision, values) and in the daily management of operations of every university. In this context, universities will promote a significant change that positively affects all members of the community and their relations with others. Social responsibility is important and should be conceived, designed, worked, promoted, communicated and evaluated everyday on campus. This is fundamental in order to build a better future for all: *No one knows what the future will be, except that it will be very different from what life is today and that decisions about whether the future is a sustainable one or not will depend upon changes in human culture* (UNESCO 2005, p. 1).

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# Chapter 14

## Shifting to Green: Insights from a SME Hotel's Green Approach in China

Helen Song-Turner

**Abstract** While dealing with environmental matters and issues brought out by the economic boom since 1980s is one of the permanent government concerns, China is in the process of rapid economic and political changes, so that institutional change appear to affect firm performance significantly (Leonidou et al. 2013; Wang 2007; Li 2004). The question then arises how firms, especially small- to medium-sized firms, become motivated (or react) to address different levels of legislation to go green in China. It is a question which is suggestive of an excellent research opportunity that may enrich the literature on this respect of green motivation. Given the lack of in-depth research on firms' perception and motivation and actions of going green in Chinese hotel industry, a case study of a purposively selected small private-owned hotel was chosen built on an in-depth literature study. The conceptual framework used in this paper was developed from a theoretical interpretation of green motivation, stakeholders and marketing practices to explore Chinese firms' green governance and greening activities (Song-Turner 2010). The advantage of this framework is that it provides a holistic means of examining firms' internal green changes and associated marketing practices. It moves beyond *what* and *why* question to examine the *how* factors within an integrated framework with strategic implications for firms' greening. This paper focuses on how components of the implementing green initiatives with the purpose of understanding the key influential stakeholders and motivations of a SME hotel going green and how it implement and approach green marketing in China. While findings from this case are consistent with a number of other studies on firms' motivation for engaging in green, the case has also revealed some unique firm behaviours and practices in a booming, sustainable building-driven Chinese market. Several implications are considered in relation to environmental management practices.

**Keywords** Green marketing • Green motivation • Greening approach • Marketing mix • Green hotels • China

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## 14.1 Introduction

Despite its classification as a service industry, the hotel industry is a resource-dependent industry (Bohdanowicz 2005, Kim and Jiang 2015). Hotels are highly dependent on energy, land and water use to satisfy the comfort needs of guest accommodation (Tomasso 2011). An expanding international traveller market combined with a solid growth of domestic travel has produced figures that continue to encourage the boom in hotel construction in China (Li and Currie 2011). Realizing the effect this would have on the overall economic cycle in China, and with utilities and essential services stretched to the limit, the government has promulgated green hotel standards and energy consumption regulations to promote sustainable development in the hotel industry (CGNG [China Consulate General of the Netherlands in Guangzhou] 2011). In this paper, a green hotel which was recognized by the government bodies for environmental excellence was selected for the investigation. As a core of being green is the idea that the hotel should reinforce efforts towards the sustainable protection of the environment and rationally utilize resources in production processes (Li 2011). It is based on the concept of sustainable development, adhering to protocols of clean production, promoting green consumption and protecting the environment.

The country's green hotel rating standards were drafted in 1988, and amendments were passed in 1993, 1997 and 2003 (Bao 2010). Since then China has witnessed an increasing growth of green hotels. China's Ministry of Commerce announced in 2009 that China intends to build a further 10,000 green hotels by 2012 (Di 2009). In this process of rapid economic and political change in the hotel industry, institutional change appears to affect firm performance significantly (Lin 2013; Wang 2007; Park et al. 2006; Li 2004). It is not clear, though, exactly how firms, especially small- to medium-sized hotels, become motivated or react to address different levels of legislation to go green. It is a question that suggests research opportunities that may enrich the literature on this aspect of green motivation and green marketing.

Given that the literature representations of empirical study on firms' green marketing approaches in China is unclear, this paper aims to achieve two objectives. The first is to gain a deeper understand how the concept, application and situation of green marketing actually works at the firm level in China. Second is to explore the motivations and ascertain features of key influential stakeholders in a firm's green decision making and how the firm approach going green and market their products/services in China. Drawn from Song-Turner (2010) conceptualization framework (see Appendix 1), which has been generated from a study of theories and models from the developed world. This paper probes questions of why and how a successful green small to medium enterprise (SME) hotel that is privately owned and self-managed implement and operationalize its green initiatives in a competitive international and national markets in China. While this may have its limitations when applied in China, it serves as a starting point to guide explorations and assessments of a hotel's application of green in China. This framework has

three components. The first component, ‘major environmental stakeholders’, serves to identify the influential green stakeholders in the firm, and drivers to go green, as proposed by Polonsky (1995). The second component, ‘firm’s perception of green motivation’ serves to evaluate how such motivating forces are perceived by the managers, and then translated into green marketing outcomes. The third component, ‘firm’s green marketing configuration’, helps to assess a firm’s green approach, marketing strategy and marketing practices (marketing 4P mix). The main contribution of the framework is its capacity to accommodate an investigation of a firm’s whole greening processes from stakeholder identification, to green motivation, to greening approaches and marketing strategies, to green practices. Given the nature of the service industry, in this case study a hotel, this framework serves to focus this study on motivation and the firm’s green operationalization.

To assess SME Hotels’ green path, this paper focuses on three sub questions: how do SMEs perceive green and what motivates SMEs in going green; who are the key influential stakeholders influencing their green efforts and commitment; and how do SMEs green themselves and market green? This research approaches these questions from perspectives of resources, legislation and operations. The review of the literature shows that such perspectives influence motivation, key stakeholders, green approaches and marketing practices and that these are well-researched areas in the literature on western SMEs, but rarely studied with any depth in China. This means that there is little research to draw on to advance understandings of a firm’s green behaviour in relation to developments in a major world economy such as China’s. This study provides an interpretivist analysis of the studied SME’s green path, arguing that the findings may serve to advance researchers’, managers’ and policy makers’ understandings of SME firms in China in relation to possible green configurations and marketing practices in bringing more SMEs into the green mainstream.

## 14.2 Literature Review

### 14.2.1 *Green*

There is a good deal of variation in understandings of green as far as different standards and practices in different industries are concerned (Song-Turner et al. 2012; Yudelson 2007; Peattie 1995). Simula et al. (2009) indicate that the word ‘Green’ is widely applied to new technologies and new products which have more sustainable impact on the environment than earlier ones. A number of terms such as ‘Green’, ‘Pro-environmental’, ‘Sustainability’, ‘Environmentally Friendly’ and ‘Ecology’ are commonly used to refer to firms’ processes and products as consuming less energy, creating less pollution and preserving precious resources for future generations. This study has explored such perceptions of green from the

perspective of one successful green hotel and its management with a view to adding to understandings of how green has been perceived and how green initiatives have been operationalized at a firm level in China.

### ***14.2.2 Barriers and Benefits to SMEs Going Green***

Despite the fact that smallness helps firm managers account more accurately for the value of scarce resources and to use as little as possible of the Earth's non-renewable resources (Bos-Brouwers 2010; Jones and Welford 1997), and the belief that SMEs can be more flexible than large firms in adapting to the fast changing market environment (Azmat and Samaratunge 2009; Blombäck and Wigren 2009; Noci and Verganti 1999), SMEs are represented in the literature as being slow to respond to challenges of improving their environmental performance (Nulkar 2014; Brammer and Millington 2006; Willard 2005; Rowe and Hollingsworth 1996). Lack of time, finance, skills, and technical and management competencies, are identified as constraints for firms' green initiatives (Bos-Brouwers 2010; Sweeney 2007; Jenkins 2006; Kerr 2006; Willard 2005; Noci and Verganti 1999). The willingness and capability of SMEs to go green or seize green business opportunities generally meet with size-related resource constraints and the availability of technical and managerial competencies (Blombäck and Wigren 2009; Bramner and Millington 2006; Noci and Verganti 1999). Given the number of SMEs in the global economy (Global Reporting Initiative 2008; Spence 2007), a number of researchers (Moyeen and Courisnos 2012; Azmat and Samartunge 2009; Fassin 2008; Spence 2007; Jenkins 2006; Trainer 1998) recognize that the growth and development of small firms is an important part of a sustainable world. Yet the literature indicates that SME managers who are aware of environmental management principles are often convinced that it is costly and cannot offer them any benefits (Simpson et al. 2004; Gerstenfeld and Roberts 2000). Such arguments are not helpful in an environment where, in the decades since the mid-1980s, economic growth and benefits have been seen as a priority in China (Lin 2013). The literature also suggests that what keeps SMEs from engaging in green or environmental marketing is lack of demand from stakeholders (Hillary 2004). Other researchers (see for example Spence 2004; Pimenova et al. 2004) suggest that this barrier may not prevent SMEs going green, arguing that increasing public awareness is one of the drivers for SMEs engaging in environmental initiatives, and that SMEs are naturally engaged with community stakeholders because of their physical proximity and operating environment. The major benefits for SMEs for going green include good reputation, positive image, trust and good relationships with the community, risk management, encouragement of innovation, increased employee motivation and cost savings from increased resource use efficiency (Smith and Langford 2009; Valentine and Fleischman 2008; Hillary 2004).

The ways in which SME hotels in China engage in green receive far less scholarly interest. How they perceive green, what makes them go green, who their key influential stakeholders are and how they approach and market green remains unclear. This study explores understandings of the meaning and concept of going green in SME hotels in China as this is perceived and interpreted by their own greening practices.

### **14.2.3 Chinese Context**

Green marketing is a relatively new concept given the nascent nature of such developments in China but has attracted increasingly interest in late years (Song-Turner and Polonsky 2016; Polonsky et al. 2014; Kim and Jiang 2015; Wang et al. 2015). The researcher has found Prakash (2002) defines green marketing useful, as this includes strategies to promote products by employing environmental claims either about their attributes or the systems, policies and processes of the firms that manufacture or sell them. Such a view links strategy and marketing practices with firms' greening levels and attributes, which enables the researchers to achieve a deeper understanding of the motivation and nature of firms' greenness and subsequently their marketing strategies and practices in China.

The literature on exactly who the key stakeholders are in China that influence firms' green initiatives is limited and a broad agreement on this has yet to occur (Song-Turner et al. 2012). The literature on firms' green motivations identifies the corporate ecological response (CER) model, which includes legislative or regulatory compliance, competitiveness and ethical concerns as having been commonly recognized as the three most important drivers for environmental strategies and practice (Bansal and Roth 2000). Specifically related to SMEs, the literature has identified compliance with existing legislation (Hillary 2004; Pimenova et al. 2004; Frymell and Szeto 2002) as a key motivating factor behind SMEs' green consciousness. Pimenova et al. (2004) in their case study further argue that growing public awareness and social responsibility are additional drivers for SMEs green initiatives. Indeed, some empirical hospitality research has shown that altruism is an important motivator for a number of hotel firms that have or are engaged in environmental practices (Ayuso 2006; Rivera and de Leon 2005). But those firms are usually large hotel firms.

The current research on the drivers of green marketing in China includes a four force model—government, firm, consumer and NGO (He and Yu 2004), a three force model—government, firm and consumer (Wu 2006) and leading driving force model (Xu and Han 2007). One study (Liu 2008), which is closely related to this study, posits the argument that the motivation for firms' green innovation, for instance in the form of eco-innovation in China, comes from industrial competition, an increasing demand for corporate social responsibility (CSR), rising environmental costs, government legislation and regulations, and green tariffs. Yet the conclusion is that theoretical postulation and empirical study on motivations and

drivers for green marketing is still limited in China, particularly for SME firms. In the context of green operations and marketing strategies, Menon and Menon (1997) propose three levels of greening typologies. These range from the lowest level of tactical greening to quasi-strategic (or business strategic) greening, to strategic greening. The levels are used to identify the amount of change a firm requires and may reflect the degree of commitment to various environmental objectives (Polonsky and Rosenberger 2001). In similar vein, researchers (see for example Chamorro and Banegil 2005) have built on Kotler (1995) model to distinguish three levels of green strategy: greening products (products only), extended green products (value-added processes) and total green products (management systems). Chamorro and Banegil (2005) approach is more of a business-to-consumer focus and that of a product management point of view, and Menon and Menon (1997) suggest approaches that are more business management oriented. In general, as argued by Song-Turner (2014), such approaches reflect a normative perspective. In this paper we adopt Menon and Menon (1997) approach as it reflects a firm's green commitment and green path. Further, for the simplicity of examining firm's green behaviour and marketing outcomes we choose to use the 4P mix instead of 7P mix as argued by some researchers (Constantinides 2006; Popovic 2006, for example) for a service industry. This underscores the fact that the hotel under study provides not merely service but also product (green meals, for example).

Several researchers (Zeng and Eastin 2007; Roberts 2003; Zyjidopoulos 2002) have approached the green motivation question from the perspective of the firm's characteristics to determine what factors may be considered instrumental in inducing that firm's green initiatives. Gonzalez-Benito and Gonzalez-Benito (2006) have identified a scheme of determinant factors to a firm's pro-environment activities and recommend that all factors are to be taken into account in studies aiming at explaining and contextualizing environment strategies. Their scheme includes five internal firm features: company size; degree of internationalization; position in the value chain; managerial attitude and motivations; and company strategic attitude. The scheme also includes two external factors: the industrial sector and the geographical locations of production facilities. The position in this study is that such factors may or may not explain the green motivation of hotel firms in China, but it may be used as selection criteria of a case study and discussion of motivational drivers.

### 14.3 Research Method

A number of researchers (Song-Turner and Polonsky 2016; Song-Turner et al. 2012; Brindley and Oxborrow 2014) suggest that cases are especially useful in understanding how firms navigate complex environments, such as how firms approach and integrate green and marketing activities that address organizational, environmental and public policy imperatives. In this paper, case study method was used for developing insights to the green practices and strategies carried out by



SME hotels. In-depth interviews with the general manager of the hotel was conducted at the first stage. The interview questions were based on open-ended questions that revolved around the perceptions of green issues, identification of key influential stakeholders, motivations for implementing green initiatives as well as examples of associated practices, marketing strategies and challenges. The interviewee also completed a survey based on Wong et al. (1996) work, which consists a series of structured questions and statements related to green marketing and practices. In cases where the information was ambiguous, follow-up interviewer (via phone or email) were undertaken. Further hotel tours and secondary materials such as internal annual reports were used to minimize any potential weakness associated with a single qualitative data collection (Silverman 2011; Charmaz 2006). For the purposes of anonymity, the names of the firm and its associated organization are not used; we have merely referred to it as The Hotel and the private holding investment firm of which it is a subsidiary is called The Investment Firm.

### ***14.3.1 Case Selection***

Given the case study rationale, The Hotel has been selected through a purposive sampling strategy (Patton 2002), and the selection criteria are based on the following features:

- **Size:** The Hotel is a small-sized hotel with limited resources, an interesting feature to assess a firm's green behaviour in the context of limited resources and fierce competition;
- **Ownership:** It is a private firm that has been successfully operating for 6 years in a highly competitive environment;
- **Management commitment:** It is a small private hotel, with management commitment to green practices that presents opportunities to assess other dimensions of the firm's motivation to go green;
- **Location:** The Hotel is located in Nanning, Southeast China, with perceived high awareness of environmental regulation and social pressures;
- **Position in the value chain:** The Hotel is positioned at the end of the value chain with direct contacts and interaction with consumers;
- **Industry:** A hotel service industry with a different organization structure may expose specific issues related to existing firm motivations and other theoretical dimensions;
- **Government control:** It is a firm that has resources constraints but with high government control, it may respond differently to government initiatives and regulations; and
- **Internationalization:** The Hotel engages consumers from both domestic and international markets and provides opportunities to assess its impacts on firms' green motivation and green practices.

To investigate the perceptions and motivation of a firm's going green, the general manager of The Hotel was interviewed. He has extensive experience in the hotel industry and has been involved in The Hotel's management since its foundation. The information that he has provided of the firm has enabled an in-depth and insightful understanding not only of the hotel industry in general, but also of his firm's policies and decision making processes.

Chinese hotels are rated by a five-star system (five is the highest) based on the National Hotel Rating System (CNTA 2016) similar to international hotel ratings which evaluate comfort levels and quality of service. Hotels with four or five stars in general already have some built-in green programs. The Hotel is located in the Green City, Nanning, the capital of Guangxi Zhuangzu Autonomous Region.

Nanning is known as the Green City because of its abundance of lush tropical foliage. It is in the Southern part of Guangxi province and about 160 km from the border with Vietnam. It is a popular domestic and international transition city to one of the country's top ten tourist heritage places such as Lijiang Ancient City and its peripheral scenic places like Dali and Guilin. Guangxi is also the closest province in China to Association of South East Asian Nations (ASEAN) countries both by sea and land passages, and Nanning is the assigned hosting city for the China-ASEAN Expo every year.

The Hotel is a four-star business hotel, with a floorage of 6000 m<sup>2</sup> over its 20 floors. It has 220 guest rooms, including standard rooms and executive rooms, intentionally designed in Korean, Japanese, Islamic and Classical Chinese styles to cater for guests from all over of the world. In accordance with the requirements of the state's Quality Security (QS) certification, ISO 9000 quality system certification and green food certification are strictly followed to provide green-derived food to boost the improvement of food structure to its guests. The Hotel is a privately owned hotel with approximately 110 full time employees. It is a subsidiary of a private holding investment firm, which we have referred to as The Investment Firm, in Guangxi province with total assets around one billion RMB. The sales revenue of The Hotel in 2011 reached over 100 million RMB, as the firm's general manager stated in the interview with him in 2012.

## 14.4 Results

This section discusses the results of this study. The first section presents results relating to The Hotel manager's perception and interpretation of green, followed by the identified key influential stakeholders. Analysis of the case study focused on significant themes that align with the literature review as well as those themes that emerge from within the data. The hotel's green motivation, key influential stakeholders, green approach and marketing practices are also summarized in Table 14.1.

**Table 14.1** Summary of THE HOTEL green motivation, influential stakeholders, green approaches and green marketing practices

Relevant and influential stakeholders	Literature on firms' motivation to go green (Bansal and Roth 2000)	Motivations		Green approach		Green marketing strategy and practices
		Primary motivations	Secondary motivations	Theoretical approach (Menon and Menon 1997)	THE HOTEL adopted approach	
1. Central and provincial governments 2. Regulation bodies—China National Travel Administration (CNTA) and local CNTA branches 3. Hotel shareholder 4. Customers 5. Employees 6. Competitors 7. Suppliers 8. The bank 9. Public media 10. Hotel operators	Legitimation	Regulatory compliance: • Compliance with the National Environmental code • China National Green Hotel Standard, and • China National Hotel Star-Rating System • Cost-saving benefits • Brand image • Competition in the industry	• Avoid negative public reputation • Reduce the risk of being de-star-rated. • Improve financial performance • Make greening affordable • Strengthening brand value and image • Recruitment and retention of skilled employees	Tactical actions: Operations function focus (simple)	Quasi-strategic actions: Implementing green practices in the main areas of the hotel and offer a variety of green products from food, room services, leisure services, transportation, employee training, and proactive equipment maintenance to deal with green requirements and improving operating profits. But THE HOTEL does not actively promote their greening initiatives.	Green marketing strategy: Green initiatives are not a main component of THE HOTEL's marketing strategy. Its overall marketing strategy is targeted at business travellers, business conferences and transitional tourist group and defines itself as a leading business hotel. <i>Product:</i> Brand building, not much emphasis on the green initiatives except green food but highlights the locations and facilities of the hotel and its thoughtful service in all-round manner. <i>Price:</i> Medium to premium pricing emphasis on value and quality <i>Distribution:</i> Partnered with two dominate online travel booking firms ctrip.com and elong.com and work with local travel agencies for tourist groups. Its main clients come from Government Offices and Public Institutions of Nanjing through personal sale. <i>Promotion:</i> Promoting its parent holding firm's integrity and scale. Promoting its social responsibility through public relations and using sales promotion during the low season.
	Ethical Reasons	Reinforce emphasis on social responsibility and environmental concerns Special Events: 2008 Olympic Games; 2011 World Expo; Annual China-ASEAN Expo	Strategy greening: Operations and marketing focus			

### ***14.4.1 Perceptions and Definition of Green***

The general manager describes his perception of green: as ‘nothing new in my opinion. It is similar to what we advocated in the 1980s of saving, minimize on resource use’. He does see that current social trends have added the dimensions of resource and environmental protection in the operations of hotels, but, ‘The essence of green, in my opinion, is energy saving and waste reduction. And they can be achieved through two ways: saving from facilities and equipment; and saving from behavioural management’.

### ***14.4.2 Key Influential Stakeholders***

His comments on The Hotel’s going green have ranged across a number of areas and the key influential stakeholders as revealed from the interview transcript include: central and provincial governments and regulatory bodies, The Investment Firm, customers, employees, competitors, suppliers, the bank, and public media, and the main points that he has made have been summarized below.

He sees that the environmental challenges that China faces has placed the Chinese government on high alert regarding the escalating environmental impacts on the hotel sector. An added feature of this is the star rating of hotels, which jurisdiction lies at the provincial level, and which is designed to ensure that hotels in China provide accommodation services at the required national standards and quality. Hotel sustainability programs are already featured in mostly four and five-star hotels in China. The China Tourist Hotel Star-rating Committee is responsible for five-star hotel ratings and inspections, and the power and pressures from such regulatory bodies have increased The Hotel’s desire to achieve compliance with mandated green standards and improve their environmental practices. The general manager also believes that The Hotel’s green initiatives in this regard are a direct result of its sole shareholder The Investment Firm’s social values.

At the same time, the general manager perceives the influence as stakeholders of individual and leisure customers as playing only a small role in The Hotel’s green initiative. Adopting green initiatives and programs in the hotel may be an attractive feature to retain existing institutional and corporate clients.

The environmental issue has been largely promoted by the government for years and the government offices are leading by example in promoting the use of energy-saving products and services. Adopting green initiatives and programs in the hotel is an attractive feature to retain those government and corporate clients

But it is a marginal consideration for individual customers when it comes to their selecting The Hotel. More relevant stakeholders, according to the general manager’s perception of important stakeholders in its green initiatives, are its employees. As he describes it, the implementation of green initiatives in the hotel industry depends on employees’ new environmental performance and waste

reduction in their service delivery. He also identifies competitors as important stakeholders to The Hotel's going green. At present The Hotel's main competitors include all the four-star hotels and high-end three-star hotels in Nanning. Suppliers are perceived as another important stakeholder in The Hotel's green decision-making, for they are themselves are certified as green suppliers, such as in the provision of food supplies. Although the bank was not a strong stakeholder in the start-up stage of The Hotel, the general manager states that the bank is and could be an important stakeholder for future green development given their proactive support to the Hotel's energy-saving projects based on its past performance in response to the Government's stringent 12th five-year plan energy-saving emission reduction targets. The general manager also perceives public media as key influential stakeholders in their green initiatives due to its swift information distribution and surveillance power on food and health safety concerns, especially after the Sanlu melamine milk powder scandal (Fu and Nicoll 2011). The ability of hotel operators to identify measures for environmental protection and internalizing green practices across all levels makes them important stakeholders in greening advancement.

We assume full responsibility for our profits and losses. Although we do not have the new green buildings and other facilities we wished for, there is no limitation whatsoever for us (as hotel operators) to achieve from the human operation aspect.

### **14.4.3 Motivational Dimension**

The general manager indicates that appropriate and timely reaction to legislation, local regulatory requirements and hotel standards are the catalysts for The Hotel to adopt green practices. In addition to domestic legislation and regulatory pressure, international standards have had an impact on The Hotel's green efforts. While the regulatory setting has a legislative influence on The Hotel's green development, cost savings, improved financial performance and image building have been perceived as the main driving force to The Hotel's green commitment.

From a hotel general manager's point of view, energy represents a significant cost item in the balance sheets, which influences the hotel's bottom-line profits.

Image building was another motivation underlying The Hotel's green activities. Apart from those motivations, retaining and recruiting skilled employees are also identified as an important motivation for The Hotel's green development.

Retention of employees is a large problem in the hotel service industry.... However, we found employees are more likely to stay with an employer whose principles and practices are in tune with current trends [of sustainable development]...

Table 14.1 summarizes the study results and sets out the above motivations using the Bansal and Roth (2000) framework, showing that the motivations are

driven primarily by economic considerations, competitiveness and legislation motivation in relation to complying with government standards. Along with these *primary* motivations, *secondary* motivations such as strengthening brand value and image, attracting and retaining talented employees and improving financial performance, avoiding negative image, and the risk of being de-star-rated are also identified and perceived as important. Following this, ethical considerations of social responsibility and environmental concerns come under consideration. Special events are also perceived as important catalysts in triggering The Hotel's going green.

#### **14.4.4 Approach to Greenness (Marketing Position/Strategy)**

Given the resource intensive nature of the hotel industry (Bohdanowicz 2005), the opportunities for its improving environmental practice are numerous. The Hotel initially adopted a 'wait and see' attitude towards green initiatives, based on the perception that green initiatives would increase operating costs and erode profit margins. After the first version of *Green Hotel Standards* was released in late 2006 with strong government promotion for the green theme of the 2008 Olympics in Beijing, The Hotel started to translate its motivation into actions through implementing energy and water saving and waste reduction programs. These centred on four main function areas: clean production in food processing bases; green food and services; green room services; green lighting; and preventive equipment maintenance.

Despite the hotel-wide efforts on energy, water and waste reduction, the most commonly incorporated environmental practices are mainly nil-to-low cost initiatives, such as recycling, recruiting local people, buying locally, implementing bathroom towel routines, encouraging guests' use of the hotel shuttle bus to the airport, replacing the traditional plastic bag-lined garbage bins, with a new anti-fire biodegradable bin, eliminating the use of plastic bags in the hotel and replacing them with environmental friendly reusable cotton bags, reusing air-conditioner heated water for laundry, recommending guests green meals, encouraging non smoke areas and offering guests left-over food taking. Initiatives that require significant financial, human or intellectual capital are used less, such as the use of carbon offsets, green buildings, or alternative energy sources. The reason was explained by the general manager:

It is often more economical to design a new hotel to be green rather than to modernize an existing structure. Although lack of capital is one reason for us not being able to have heavy investment in HAVC and other alternative energy sources such as geothermal, I believe an effective and efficient hotel management is just as important as investing in these areas. Energy saving is important but energy saving should not dictate your service standard and the market sector that you are targeting.

Given this, it can be seen that The Hotel's green approach is influenced by the general manager's perception of green, mandatory government requirements and competitive pressure. Its green commitment is visible and firm wide in order to retain its star rating and green (food) certification. But the initiatives are mainly aimed at improving internal efficiencies and reducing costs with limited green products and services within their capacity. The green approach it adopts manifests the feature of quasi-strategic approach as identified by Menon and Menon (1997).

Despite the various green practices and services carried out in the hotel, green initiatives are not a main component of The Hotel's marketing strategy. It emphasizes its convenient location and advanced facilities and professional services, but there is not much emphasis on the green initiatives beyond green food. Coverage and cost were the main consideration criteria for The Hotel's distribution channel selection.

The promotion strategy used by The Hotel is focused on its location and promoting its parent holding firm's integrity and scale. Seasonal promotion during low travel seasons is often jointly held with the online booking partners. For the green food offered by its restaurant, it uses advertising in local newspapers and television. Special promotions are often held on traditional Chinese Holidays and Festivals such as May 1st (Labour Day), October 1st (National Day), Aug 15th (Moon Festival) and so on, when banquets for weddings, family reunion dinners and social parties are most often held.

## 14.5 Discussion and Implication

The perception of green and motivation to go green in this case reveals some interesting features of the activities and decisions involved in relation to green marketing approach and marketing practices in the hotel industry. The Hotel's clearly defined green perspective mirrors the government's current focus on environmental protection and indicates that the General Manager has responded positively to the legislative requirements, himself becoming a change agent. Although the general manager does not explicitly identify himself as a key stakeholder, his influence and actions in The Hotel's green development is not to be underestimated or indeed undervalued. What is more, the number of perceived influential stakeholders to which he refers heralds a collective stakeholder approach towards green action, which is widely advocated in western firms for green strategy formulation (Polonsky 1995). The classification of energy-saving types provides The Hotel with a clear focus to deploy its limited resource to achieve the best possible results and reflects a pragmatic and business focused response to the government's regulatory requirements and competition pressure.

The green perspective is primarily motivated by economic considerations (such as cost and risk management) and achieving compliance with environment legislation, which corresponds with study results in other parts of the world (Dahlmann et al. 2008). This case shows that the manager and the employees have a heightened

awareness of the effect their operations are having on the natural environment. This sense of heightened awareness was dormant until legislative power became more forceful and thorough. Both size and ownership of the firm in this case have some explanatory power on The Hotel's attitude towards its green activity, but initial reactions of the hotel operator, the employees and the public in this context provide support for the traditional Chinese cultural belief that individual actions are useless without active state leadership. It suggests that a top-down legislative approach towards environmental protection should not be underestimated for the SME sector in China. In relation to the company's internal configuration, the scope and choice of a green strategic option is closely related to the manager's perception and attitude and the availability of resources and competencies.

In such circumstance, several implications may be considered in relation to environmental management practices. First, legislative requirements are necessary to levelling the playing field and driving off the 'wait and see' attitude from all firms. But at the same time, it should be recognized that the 'wait and see' attitude toward going green is burdened by resource demands for further green. For this reason, government policies and regulations that recognize the difference between different motivations, green levels and types of adoption of sustainable practices to facilitate and deepen firms' environmental efforts and commitment need to be developed. Second, the insight from this study suggests that market related incentives and policies to stimulate competition are more likely to motivate firms to continue to embrace sustainable development driven by the competitiveness. Government and policy makers may consider market-oriented competition within the industry to deepen and widen the greening level and scope. Third, this study suggests that the concept of green hotels depends on the availability of managers and employees who are professionally trained and motivated towards environmental protection. For the government's green hotel ambition to become reality, relying upon the individual hotel's efforts is not likely to be enough. Collaborative industry-wide efforts and national wide education on environmental issues is necessary. This approach results in a two pronged benefit, in that it would nurture and cultivate qualified managers and employees to enlarge the green human resource pool within this industry and also create and advance green firms and industries though spill over effect. Fostering a national wide education on environmental concerns in a collective society presents the opportunity to maximize both individual and collective economic and social benefits.

Apart from the size and ownership, another firm feature which the literature on firms' environmental initiatives and practices considers as being relevant, have been used to inform the case selection, was also highlighted in The Hotel's going green—location. The capital city of Guangxi Zhuang Autonomous Region is a well-known Eco-city, where environmental regulations are forcefully implemented and where social pressure is perceived to have had a positive impact on The Hotel's green development. The geographical location of The Hotel is clearly perceived as assisting its operation and marketing efforts, and there is a perception in this case that annual international event such as China-ASEAN Expo and other international events such as the 2008 Olympic Games, the 2010 World Expo and the 2011 Asian



Games in Guangzhou all act as big drivers in the growth of green hotels in China. Such events are unique and effective marketing instruments in bringing about the transformation of an industry and the perception of city and nation as well.

## 14.6 Conclusions and Future Research

This case presents a picture of a firm's perception of what it means to be or to go green, and of relevant influential shareholders, green motivation and green practices, in a small privately owned hotel in Southeast China. With the acknowledgement of the unique institutional context in this market, the most important conclusion in this case is that the motivation for small privately owned hotels with inefficiencies in building to go green is largely a combination of legislative force and competition advantage. The features of this case indicate that firms with limited resources tend to focus on behavioural activities, where easily achieved cost savings can be made without much outlay, where legislation in relation to environmental protection is likely to be perceived as restriction and prerequisite, before focusing on competition related environmental activities and decisions, and where green initiatives would occur more voluntarily.

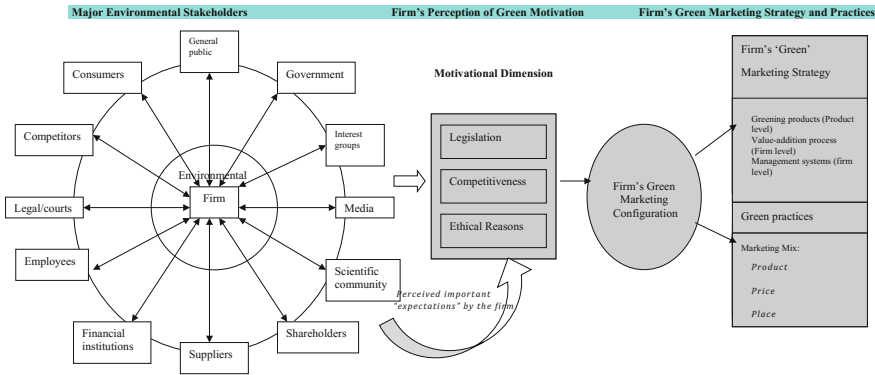
This study also concludes that the concept of green hotels depends on the availability of managers and employees who are professionally trained and motivated in relation to environmental protection. Further to this, the green management practices adopted in this case demonstrate that incremental environmental improvements might be more practical and meaningful in relation to bringing more firms into this mainstream than expensive new green buildings and equipment.

While a single case study may help researchers gain a deeper understanding of the problem at hand, the limitations associated this study must be acknowledged and addressed. First, despite data being collected from different resources, this study has relied heavily on in-depth interview with the general manager. Other internal and external stakeholders such as employees and suppliers could be integrated for future study on a firm's motivations and key stakeholders in going green.

Findings from this case are to be interpreted with caution, given the results have not been generalized to a larger group. This case does, though, suggest several valuable insights for government, policy makers and marketing professionals to overcome resource constraints and to develop appropriate strategies for further greening development drawn from the practices embraced by successful green outliner firms like The Hotel in this study. It also suggests opportunities for multiple case studies on green SMEs in China in relation to patterns of green paths, green configurations and marketing strategies which factor in the distinctiveness and dynamic nature of emerging markets identified here.

# Appendix 1: Conceptual Framework of Firm's Motivation to Go Green and Marketing Practices in China

See Figure 14.1.



**Fig. 14.1** A model of firms' motivation to go green and marketing practices in China (Green marketing in China. Helen Song-Turner 2008)

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