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**Responsible Leadership Systems —
Integrating Corporate Responsibility into Leadership Systems.**
An Empirical Analysis in Multinational Corporations

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Für meine Oma Elfriede

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Abbreviations

BOP	Bottom/base of the pyramid
BSC	Balanced scorecard
CC	Corporate citizenship
CCI	Corporate community involvement
CO ₂	Carbon dioxide
COM	European Commission
CS	Corporate sustainability
CSP	Corporate social performance
CSR	Corporate social responsibility
CR	Corporate responsibility
DAX	Deutscher Aktien Index (German stock index)
DJSI	Dow Jones Sustainability Index
DTI	Department of Trade and Industry
EBIT	Earnings before interests and tax
EFMD	European Foundation of Management Development
ECI	Employee community involvement
EFQM	European Foundation for Quality Management
EHS	Environment, health, and safety
GLS	Generic leadership system
GRI	Global Reporting Initiative
HR	Human resources
HRD	Human resource development
ILO	International Labour Organization
IPM	Integrated product management
ISO	International Organization for Standardization
KPI	Key performance indicator
LBG	London Benchmarking Group
LCA	Life-cycle analysis
LD	Leadership development
LOHA	Lifestyle of health and sustainability
MBA	Master of Business Administration
MIT	Massachusetts Institute of Technology
MNC	Multinational corporation
NGO	Nongovernmental organisation

NO _x	Nitrogen oxide
OECD	Organisation for Economic Co-operation and Development
PRI	Principles of Responsible Investment
PRME	Principles of Responsible Management Education
RLS	Responsible leadership system
R&D	Research and development
SAM	Sustainable Asset Management Group
SBSC	Sustainability balanced scorecard
SIC	Sustainability innovation cube
SOI	Sustainability-oriented innovation
SO _x	Sulphur oxide
SRI	Socially responsible investment
SV	Sustainable value
TBL	Triple bottom line
TQM	Total quality management
TRM	Total responsibility management
UN	United Nations
UNGC	United Nations Global Compact
VOC	Volatile organic compound
WBCSD	World Business Council on Sustainable Development

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PREFACE

1 Point of Departure

“Creating a sustainable future, economically, socially and environmentally requires governments, society, organisations and individuals to rethink how we use our resources, how we interact, and what we want to achieve. There is increasing recognition that we are all part of a complex and interdependent system.” (SIGMA, [2003]:1)

We are in the midst of change of societal values with respect to the natural environment, technology, and global distribution of resources (Picot, Reichwald & Wigand, 2003: 4, 2008: 5). More and more people think about the “quality of life for all people” (Wood, 1991b: 385) rather than narrow economic benefits. These changes, *systemic* in nature, begin to emerge in various groups of society (e.g., IBLF & SustainAbility, 2001: 11). Just to give some examples: Ethical consumers increasingly consider social and environmental criteria in their buying decisions; a growing share of private and institutional investors make investment decisions based on social screening services; talents and employees, more than ever, demand “purpose” in their jobs, which is often related to just, fair, and meaningful organisational practices; and governments around the world are implementing stricter environmental and social policies.

These subtle changes have been accelerating through increased *excesses* in the economic system (Lockwood, 2004: 2). On a *macro level* (aggregation of all economic activity), this is represented by increasing destruction of the natural environment resulting in climate change (2007), increased use and pollution of land and water, and decreasing biodiversity. Further, it is represented by raising inequality, both between developed and developing nations and between various groups within nations. On a *micro level*, various *corporate crises* demonstrated the excesses of individual top-managers or even larger parts of the management (e.g., Malik, 2006: 55; Matten & Moon, 2008: 414; Thomas, Schermerhorn & Dienhart, 2004: 56; Wieland, 2004). Examples often cited are Enron’s accounting fraud (Maak & Pless, 2006c: 33), Shell’s decision to sink “Brent Spar” (Wade, 2006: 228,229); the chemical disaster at Bhopal in India (Elkington, 1994: 91), and recent corruption scandals in Germany’s multinationals. Managerial greed and ignorance often led individual businesses into bankruptcy and, as current financial crises demonstrates, can even jeopardise entire industries. The overemphasis of economic aspects in management were spurred especially by the *shareholder value ideology*, which poses return on investments above all else. Interestingly, in a newspaper interview in the midst of the financial crisis 2009, the so called “father of shareholder value movement”, Jack Welsh, called the shareholder value concept “a dumb idea” (Guerrera, 2009). This may be another sign for that we are in a process of changing paradigms.

Globally, a vast majority of CEOs recognise increasing external expectation regarding the responsibilities of business (Bielak, Bonini & Oppenheim, 2007: 1). Maak and Pless refer to this expectation as the challenge for business “how to rebuild trust” (Maak & Pless, 2006b: 101; cf: Brown & Treviño, 2006: 608). One increasingly recognised concept to address the above challenges is *corporate responsibility (CR)*. CR aims at transcending the sole focus on economic responsibilities of management to also cover social and environmental

responsibilities. Often, to date, CR is still neglected or considered as something too “soft”. However, this is no different than what, in its earlier days, people thought about the quality movement (Waddock & Bodwell, 2004: 29), a concept of unquestioned importance in to dates most successful companies.

However, in the short and mid-term, corporations have discretion about whether to be a driver, a follower, or an opponent of the concept of CR. Being at the forefront of this movement is a *leadership task* (Brown & Treviño, 2006: 608). Where the described challenges as well as the related opportunities are complex and uncertain in its extent, leadership needs to provide a clear vision and goals, in other words, provide stability. Often, individual leaders are key. Consider, for example, Jack Welch who brought sustainability to the core of GE’s business by furthering environmental technologies through the “ecomagination” initiative. Also, Lord Browne’s famous speech on the responsibilities of oil business to engage in renewable energies, even though to date criticised for being “green wash” (Elkington, 2006b: 26), had major influence across the sector.

Whilst this CEO leadership is key to any change effort in organisations, *cultural change* requires a much broader approach of leadership *and* culture (Schein 1985/2004) because individual morality can quickly reach its limits so far not supported by the organisation (Wieland, 2004: 14). More specific, corporate leaders are constrained in their behaviour by instruments, systems, and tools, so called *leadership systems* (Huff & Möslein, 2004; Möslein, 2005).

2 Research Gap and Research Objective

This present work focuses on leadership systems, including instruments, systems, tools, strategies, and structures instrumental to make CR an integral part of organisational culture. Little is known today about effective business integration of CR from such a leadership system's perspective. Most research is dedicated to small elements of organisational implementation. This breaking down into ever smaller peaces is also a consequence of increased orientation towards quantitative studies with statistical analysis (e.g., regression analysis). Exemplary studies focus on values statements, code of conducts, or sanctioning systems (e.g., Urbany, 2005; Weaver, Treviño & Cochran, 1999).

Few studies take a holistic perspective on CR integration, in the sense that they cover broader types of instruments and tools. The small amount of existing studies, are often limited to a theoretical-normative approach (Doppelt, 2003; Epstein, 2008a). Also, a large variety of practitioner-oriented literature, mostly from professional service firms, is available (e.g., BMU, econsense & CSM, 2007; GTZ, 2006; IBLF & SustainAbility, 2001; WEF & IBLF, 2003; Economist Intelligence Unit, 2007; Quinn & Baltes, 2007). Academic empirical studies are even fewer, and still limited in the one or other way. Most considerable is the research effort around a group of researchers at IMD business school (e.g., Eckelmann, 2006; Salzmann, 2006; Steger, 2004; Steger, Ionescu-Somers & Salzmann, 2007). However, their research follows the *business case* for CR (i.e., CR as a means to raise profits), which I regard as too narrow. This research also lies significantly in the past (data conducted around 2003) and it seems that, since then, organisational approaches towards CR have developed somewhat further. Other empirical studies remain on the surface because they are method-wise solely based on corporate disclosure like reports (Morgan, Ryu & Mirvis, 2009), include only very few cases (Bieker, 2005; Treviño, 1990); or are industry specific (Schmitt, 2005). Some multi-case studies in European MNCs also exist (Hind, Wilson & Lenssen, 2009, Wilson, Lenssen & Hind, 2006; Wirtenberg et al., 2007).

The above review demonstrates that empirical evidence on CR integration in business is very limited. Further, no holistic study exists focusing on *German* companies. This thesis aims at advancing empirical knowledge on CR integration. The overall research question is the following: What is the role of *leadership systems* in making CR integral to the way large-scale corporations do business? This rather abstract question is operationalised by three research questions on a more detailed level:

- 1a. Which formal systems and instruments exist to make CR part of the corporate leadership agenda (“existence”)?
- 1b. How are these systems and instruments implemented in practice (“implementation”)?
- 1c. How are these systems and instruments interrelated in the sense of an overall formal leadership system (“systems perspective”)?

The present work aims to answer these questions. The underlying research was conducted within a study called “CSR Leadership” belonging to the project “Sustainable leadership in a globalised world” funded by the Peter Pribilla Foundation and executed by the author at the Institute for Information, Organization and Management at Technische Universität München. The time period of the project was from 2007 to 2009.

3 Outline of Thesis

This work is composed of four parts (Figure 1). *Part I* introduces *corporate responsibility (CR)* as an *umbrella term* for the research fields of corporate social responsibility, stakeholder management, sustainable development, and corporate sustainability. After a brief historical overview, each of these concepts is presented in dedicated form. Based on the insights from each of these concepts, the *terminology* used in the remainder of the work is defined. The understanding of CR is completed by presenting more *specific issues* related to CR. Based on this overall understanding of CR, two different *motivations to engage in CR* are presented: The *moral case* regards CR as “the right thing to do”, whereas the *business case* considers CR as an investment with positive economic effects. Additionally, a perspective of *organisational learning* is given in order to demonstrate the development of CR in organisations over time.

Part II starts by acknowledging the important *role of leadership* in making CR integral to organisations. Based on this, a brief overview of different research perspectives on how to integrate CR in the organisation is given and the focus on *formal (leadership) systems* is set. Subsequently, the *generic leadership systems framework* is presented as overarching structure for the literature review. The framework contains seven fields. The *core fields* address leadership instruments in the area of leadership as a day-to-day interactive process, leadership metrics, leadership deployment, and selection of leaders and leadership development. These interact with three *contextual fields* of strategy, structure, and culture. The subsequent literature review uses the structure of these seven fields in order to presents *leadership instruments for CR-oriented change*. Each instrument is reviewed according to its characteristics, current practice in corporations, and weaknesses. This review results in a conceptual *responsible leadership systems framework*.

In *part III* the responsible leadership systems framework is applied in an empirical study in multinational corporations based in Germany. First, the multi-case study research strategy is described including research design, selection of sample, data collection, and data analysis. Second, I describe the actual results. Findings are presented in each of the fields of the framework and result in the *responsible leadership systems toolbox*. Subsequently, an overall analysis contributes to the systemic understanding of the framework. Third, I discuss the findings.

Finally, *part IV* draws conclusions on the research project. Based on a brief summary, implications for theory and practice are given. Then, limitations are presented and further research is indicated. This part finishes with a brief outlook.

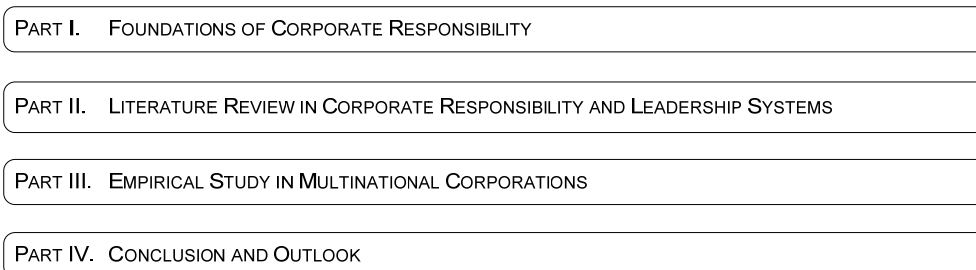


Figure 1 Graphical Representation of Structure

Part I. FOUNDATIONS OF CORPORATE RESPONSIBILITY

Research in CR spans a broad field of diverse paradigms and research streams. All these streams were developed to focus on particular topics or to take particular perspectives into account. To develop a thorough foundation for the later parts of this thesis, I elaborate CR in more detail.

In the *chapter four*, I introduce the essentials of various theoretical streams, including corporate social responsibility, stakeholder theory, and corporate sustainability. I finish this chapter with a working definition of CR. The *chapter five*, explains two major motivational drivers for CR, the moral and the business case. Then, in the *six chapter*, an organisational learning perspective for CR is introduced which explains how companies advance from defensive to more pro-active stages of CR. This part ends with a summary (Figure 2).

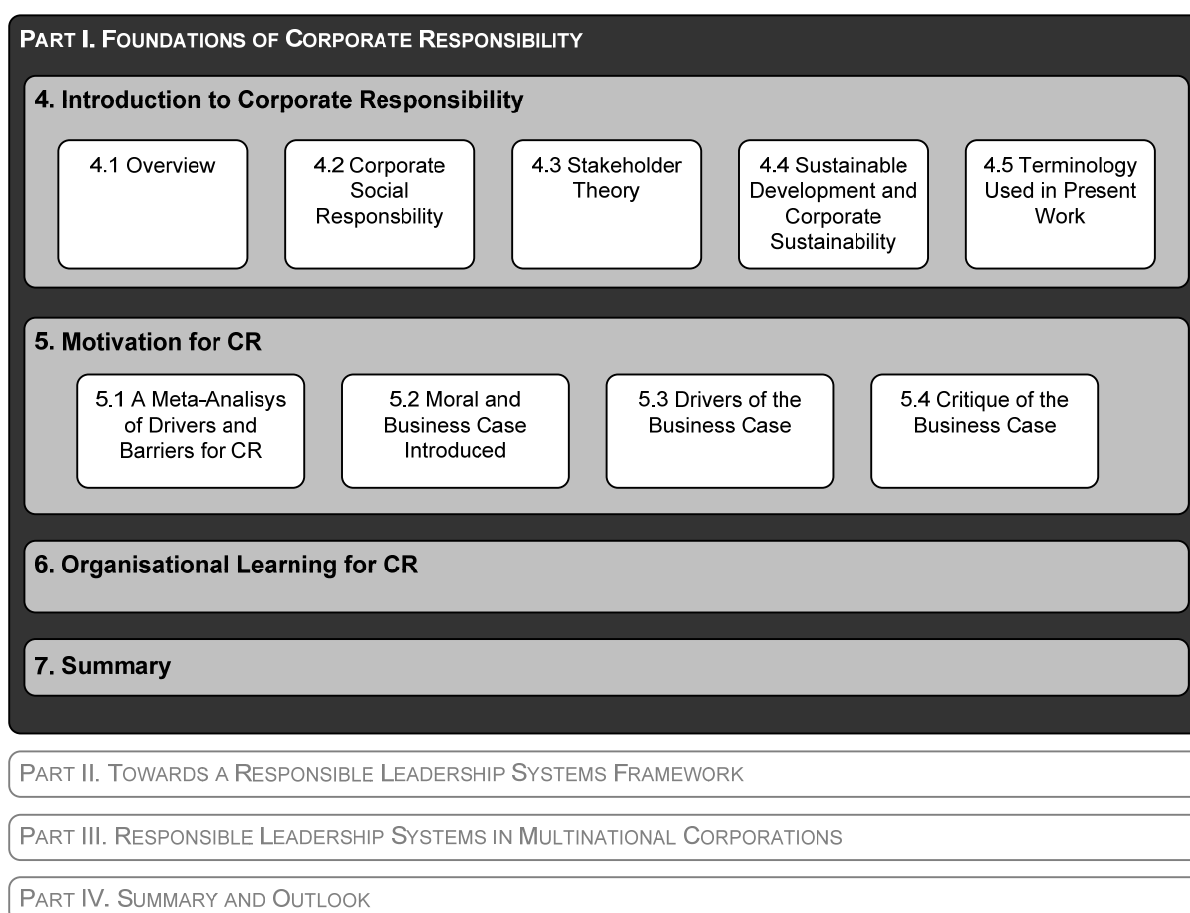


Figure 2 Structure of Chapter

4 An Introduction to Corporate Responsibility

This chapter introduces the concept of corporate responsibility. It is structured into six sections. *First*, I give a brief overview of the various theories, concepts, and terms related to CR. Subsequently, I present these in detail: The *second* section presents the research field of *corporate social responsibility*; the *third* section presents *stakeholder theory*; and section *four* introduces *sustainable development and corporate sustainability*. Section *five* then presents the *terminology* for the remainder of this work by relating the term CR to the other relevant terms used. After having defined CR on a high-level, finally, section *six* gives an overview of more specific *issues* covered by CR.

4.1 Overview

CR emerged from a broad research field referred to as “business and society” (Schwartz & Carroll, 2008). This field covers a vast number of theories and concepts including, for example, corporate social responsibility (CSR), corporate citizenship, corporate sustainability, and stakeholder theory. This field aims at exploring the “relationships that exist between business and society” and “the contributions each can make to a better quality of life for all people” (Wood, 1991b: 385). The following Figure 3 gives an overview of theories and concepts from a historical perspective.

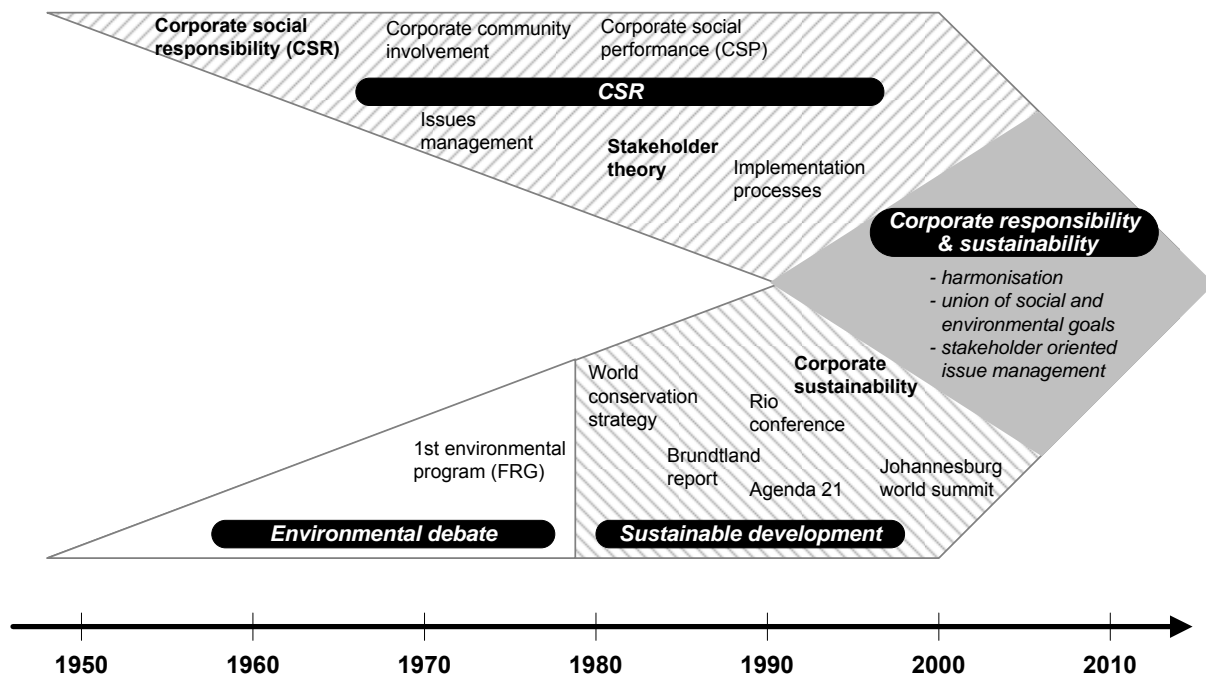


Figure 3 Historical Development of Concepts Around CR and Sustainability

Source: Based on Loew et al. (2004: 12)

Two major streams exist in the business and society field (Loew et al.: 12): CSR and sustainable development (including corporate sustainability). CSR traditionally emphasised social and ethical responsibilities (Katsoulakos & Katsoulacos, 2007: 361), whereas sustainable development emphasised environmental responsibilities (Marrewijk, 2003: 101;

Sharma & Starik, 2003). Both will be presented in the following subsections (still, I present stakeholder management as separate subsection).

4.2 Corporate Social Responsibility

The concern of business for society has been in existence for several centuries. However, scientific writing on CSR evolved in the 1950s (Carroll, 1999). In 1953, Bowen, “the father of CSR” (ibid.: 270), gave an initial definition of the social responsibilities of businessmen:

“It refers to the obligations of businessmen to pursue those policies, to make those decisions, or to follow those lines of action which are desirable in terms of the objectives and values of our society.” (Bowen, 1953 cited by Carroll, 1999: 270)

A large number of systematic reviews of CSR literature were published (Table 1)².

Author	Approach	#Papers/ sources reviewed
Wood (1991b)	Review based on the corporate social performance model	~200
Carroll (1999)	Historical analysis (1950s–1980s)	~50
Garriga & Melé (2004)	Classification of theories in four groups (instrumental, political, integrative, ethical)	~160
Salzmann, Ionescu-Somers & Steger (2005)	Classification according to research methods; focus on business case of CSR	~80
Lockett, Moon & Visser (2006)	Systematic publication and citation analysis (1992–2002)	176
Lee (2008)	Historical analysis (1950s–1990s)	~110
Schwartz & Carroll (2008)	Review based on different theoretical concepts	~180

Table 1 Meta-Analysis of Literature Reviews on CSR (Ordered by Date)

Three *levels of analysis* are important for CSR: The *institutional level* answers the question which role business takes in society and which general responsibilities firms have. The *organisational level*, investigates specific responsibilities related but not limited to the firms’ primary and secondary involvements. The *individual level* then deals with managerial actions and choices in the sense of “moral actors” (Wood, 1991a: 695–699). In this work, I focus on the *organisational level*.

4.2.1 Categories of Responsibilities

One core aspect of research in CSR is the discussion on normative correctness of corporate action with respect to different stakeholders of the firm (Epstein, 1987: 104). One of the earlier, however, still popular contributions to the field stems from Carroll (1979; 1991; also: Schwartz & Carroll, 2003). Carroll identified social responsibility as a set of *four responsibility categories*: Economic, legal, ethical, and philanthropic responsibilities (Figure

² Furthermore, several researchers discussed the status quo of CSR (e.g., Carroll, 2000; Jonker & Marberg, 2007; Wood, 2000).

4).³ These categories are not mutually distinct. Issues can address one, several, or all responsibilities at the same time (ibid.: 519). Historically, responsibilities gained importance in the following order: Originally, the economic and legal responsibilities were more important, whereas later ethical discretionary responsibilities gained importance. However, the total social responsibility of business entails the *simultaneous* fulfilment of all four responsibilities (Carroll, 1991, 1999: 289; Schwartz & Carroll, 2003: 519).

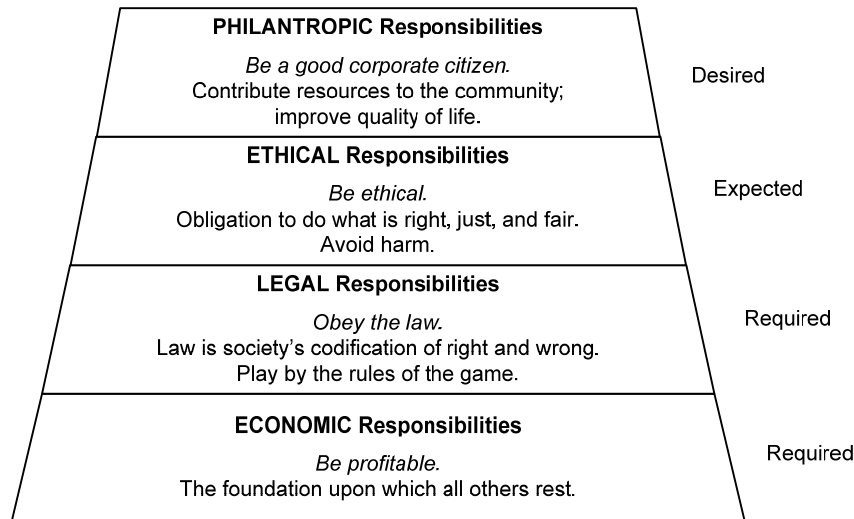


Figure 4 The Pyramid of Corporate Social Responsibility

Source: Based on Carroll (1991: 42) and Schwartz & Carroll (2003: 504)

In the following I describe the four categories in more detail:

- *Economic*. Economic success is an integral part of CSR: “The first and foremost social responsibility of business is economic in nature” (Carroll, 1979: 500). Further, all responsibilities are based on economic success (Carroll, 1991: 41).⁴ This is simply because in a system of capitalism a business is required to gain profit to survive.
- *Legal*. Legal responsibilities are coexisting with economic responsibilities. They demand from corporations “to comply with the laws and regulations promulgated by federal, state, and local governments as the ground rules under which business must operate” (ibid.: 41). Laws can be interpreted as “society’s codification of right and wrong” or the “codified ethics” (ibid.: 41). Beyond these “compliance” aspects, legal responsibilities also cover corporate actions for “avoidance of civil litigation” and “anticipation of the law” (Schwartz & Carroll, 2003: 509). Anticipation is important in cases of insufficient laws where, however, a certain behaviour is regarded as “ethically obligatory” (Schwartz, 2001: 248).

³ In a later version, Schwartz and Carroll (2003) integrate the philanthropic category into the economic and ethical category based on the motives for the philanthropic engagement. I consider the original four categories more appropriate here because I distinguish between moral and business case later in chapter 5.

⁴ I will later discuss, in how far this model is still valid to explain the latest developments in CR (cf. 5.2.4).

- *Ethical*. Responsibilities in this category represent societal expectations “by the general population and relevant stakeholders” (Schwartz & Carroll, 2003: 511) exceeding the prior legal responsibilities (Carroll, 1979: 500). Changing societal norms and values are the drivers for legislation and, hence, often precede the codification into laws (Zadek, 2004: 128). Accordingly, ethical and legal responsibilities are in constant interplay.
- *Philanthropic*. Philanthropic responsibilities demand corporations to be good corporate citizens through actively promoting human welfare. These responsibilities are met through a variety of instruments covered under the term of “corporate community involvement” and will be addressed in paragraph 4.2.2.⁵ Though society likes to see companies as good citizens, there is no explicit expectation for it. Respectively, companies *not* engaging in philanthropy are *not* regarded as *unethical*. Against this background, Carroll also labels this category “discretionary responsibilities” (Carroll, 1979: 500).

Carroll’s concept is especially important because, through the legal responsibility, it also integrates a “do-no-harm” perspective which is often neglected in more recent definitions of CSR (Campbell, 2007: 951). Thus, CSR covers both constructive social problem solving; and prevention of negative impacts (Hart & Milstein, 2003: 62; Schein 1985/2004; Senge, Lauer, Schley & Smith, 2006a: 8).⁶

Arguing that CSR was somewhat philosophical-ethical oriented, researchers also focused on the practical, action-oriented (i.e., managerial) dimension of CSR and analysed different strategies of responsiveness (Frederick, 1978). This action orientation also requires a more operational definition of CSR, which is often represented by the focus on specific “*issues*” (Rowley & Berman, 2000: 402; Salzmman, Steger & Ionescu-Somers, 2008: 2) and *issues management*” (Logsdon & Palmer, 1988; Wartick & Cochran, 1985: 766; Wartick & Rude, 1986; Wood, 1991b: 395). Issues management is concerned with identification, evaluation, and response with respect to public policy, strategic, and social (i.e., social and environmental) issues (Wartick & Rude, 1986). Thereby research in CSR focused on the latter *social and environmental issues* (e.g., Carroll, 1979: 501; Salzmman, Steger & Ionescu-Somers, 2008: 3; Wood, 1991b) like, for example, occupational health and safety, or employee pension plans (a more detailed overview on social and environmental issues is given in the later section 4.5).

In an attempt to cover these additional dimensions of CSR, Carroll (1979) advocated a three-dimensional model termed “corporate social performance” (CSP) which, in retrospect, he describes as follows:

“My basic argument was that for managers or firms to engage in CSP they needed to have (a) a basic definition of CSR, (b) an understanding/enumeration of the issues for which a social responsibility existed (or, in modern terms, stakeholders to whom the firm had a responsibility,

⁵ In later, normative research, Schwartz and Carroll (2003) question the usage of the discretionary/philanthropic category. They argue that philanthropic actions are not a responsibility of the firm. Thus, if a company still follows such activities, it is either for ethical or for economic reasons and can thus be integrated into the first three categories. They then present the three first categories in a Venn diagram to better demonstrate the overlapping nature of the categories.

⁶ Sometimes philanthropic actions are used to divert attention from unjust practices in other responsibility categories (Hamil, 1999: 19).

relationship, or dependency), and (c) a specification of the philosophy of responsiveness to the issues.” (Carroll, 1999: 282)

The following Figure 5 presents the corporate social performance model.

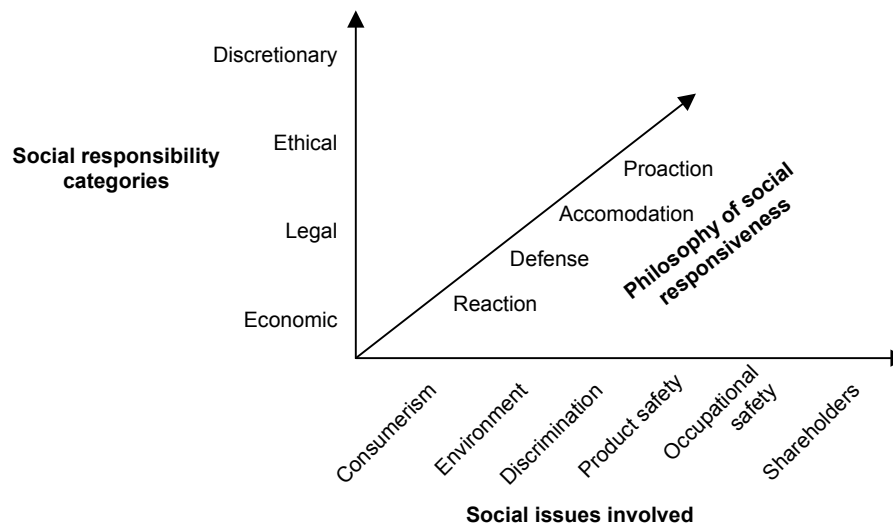


Figure 5 The Corporate Social Performance Model

Source: Based on Carroll (1979: 503)

4.2.2 Corporate Community Involvement

The pyramid of CSR introduced in the prior paragraph also contained the category of philanthropic responsibilities.⁷ As the conceptual borders of CSR (as the overall concept), and philanthropy (as a subset), have been subject to frequent misunderstanding (e.g., Matten, Crane & Chapple, 2003), I elaborate further on this. Following other authors (Burke et al., 1986; Epstein & Roy, 2003a: 18; Hamil, 1999; Seitanidi & Ryan, 2007: 247), I use the term corporate community involvement (CCI) as a replacement of philanthropy in the remainder of this work.

CCI deals with the involvement in local communities (Burke et al., 1986: 135) aiming at, amongst others, changes in poverty, health, land, biodiversity, education, and economic development (UN, 2007: 9). In terms of a formal corporate activity, it became first popular in the US and the UK⁸ (Blumberg & Scheubel, 2007: 16). According to Burke et al. (1986: 126), Levi Strauss & Co pioneered this concept in the early 1970s. Some argue that CCI was in part

⁷ Still others use the term corporate citizenship (Habisch, 2003). However, I refuse this term due to its inconsistent meaning across authors (Garriga & Melé, 2004: 57; Loew, 2006: 50; Matten, Crane & Chapple, 2003). Matten et al. (2003) distinguish three meanings of corporate citizenship: (1) A limited view, which corresponds to the notion of philanthropy (introduced as one category in the pyramid of CSR) (e.g., Carroll, 1979; Garriga & Melé, 2004: 57; Loew, 2006: 54); a view which treats CSR and corporate citizenship as synonyms (e.g. Googins, 2002); and (3) an extended view which presumes government failure and sees corporations in the role to protect citizenship (e.g., Logsdon & Wood, 2005). The latter view is criticised because differences of the two concepts were only vague (Schwartz & Carroll, 2008: 165). I support the first view; still I prefer using the term CCI instead.

⁸ In the UK, the Action Resource Centre published a review of CCI programmes of leading UK companies already in 1989. The Action Resource Centre merged with BITC in 1995 (BITC, 2008).

“a response to the retreat of state-funded social programmes” (Hamil, 1999) which occurred in the US and UK in the 1980s due to economic crisis.

A large set of *instruments for CCI* exist (Habisch & Wegner, 2004; Schrader, 2003; Seitanidi & Ryan, 2007: 249):

- *Sponsoring* regards use of financial and physical assets to support events or people. The aim is to improve corporate image through linking properties of the entity with the company itself (Meeneghan, 1983).
- *Cause-related marketing* addresses a certain cause in marketing campaigns (Berglind & Nakata, 2005: 444). Causes are mostly societal problem (e.g., carbon emissions, extinction of animal races, suffering of children). A certain percentage of sales volume is then donated in order to better the problem.
- A company may establish a *foundation* and provides it with financial assets in order to overlook community activities in the name of the company (Epstein, 2008a: 98). In this form, core business and community involvement activities are separated more strictly.
- Companies can also *partner with an NGO* (Nijhof, de Bruijn & Honders, 2008) or community enterprise (Tracey, Phillips & Haugh, 2005) to support this organisation’s (societal) goals in a long-term approach. Such cross-sector collaborations root in the understanding that firms themselves may not have the necessary experience in dealing with complex societal issues (Habisch, 2006: 93; Moore, 1995: 172) and that many of today’s socio-economic problems even transcend the problem-solving capacity of single sectors (Austin, 2006). An NGO partnership is also key for cause-related marketing and employee community involvement (Epstein, 2008a: 97).
- *Employee community involvement* (e.g., Burke et al., 1986: 135; Tuffrey, 1995) relates to various instruments (e.g., volunteering) which enable employees to actively involve in local communities in order to engage in social repair (Margolis & Walsh, 2003: 283). Depending on the type of project, the time employees work with communities differs considerably (Schrader, 2003: 56; Tuffrey, 1995: 8).
- *Corporate community roundtable* are official meetings with stakeholders from local communities. They are invited by the firm to discuss (pressing) issues relating to the company’s business operations. It is a form of stakeholder dialogue with less formal stakeholders (Pederson, 2006: 146).

Habisch (2007; 2004: 17) distinguishes the degree of community involvement according to two dimensions: The *time horizon of investment* and the *impact on society*. These two dimensions result in the differentiation of three types of organisations. *Sponsors* follow a short-term and low-impact involvement mainly based on sponsoring and cash spending. *Partners* apply a medium-term approach with medium societal impact; this often involves partnering with NGOs to address societal issues. Organisations which apply a long-term approach with high impact activities are regarded as (*corporate*) *citizens* (Figure 6).

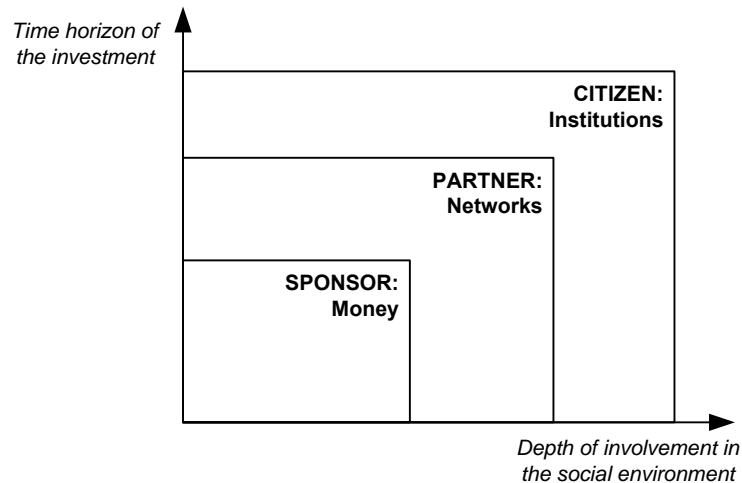


Figure 6 Community Involvement and Time Horizon of Investment

Source: Habisch (2007: 19)

In the long-term, community involvement also has *business impact*, so far it is targeted on improving the competitive context in which the firm operates. This context consists of four elements (Porter & Kramer, 2002):

- Factor conditions (e.g., trained workers, physical infrastructure, natural resources);
- demand conditions (e.g., size of the local market, product standards, sophistication of local customers);
- context for strategy and rivalry (e.g., policies regarding local investments, intellectual property protection, trade restrictions, fight against corruption); and
- related and supporting industries (quality and proximity of supporting industries and services).

For example, firms may address community involvement towards improving education in knowledge areas related to their business. This allows the firm to better satisfy its future demand for educated labour, thus, maintaining its competitive advantage.

Besides the long-term impacts, firms also aim at leveraging short-term gains like image improvement and market penetration (Hess, Rogovsky & Dunfee, 2002: 113; Moore, 1995: 173). In this vain, community involvement is not only regarded as purely philanthropic, but also as a strategic programme with business impact (Hamil, 1999: 16). Whilst this is also criticised as too instrumental, such actions may be better than no action:

“When a business runs a campaign to raise money for the homeless, they may be doing it to sell more of their goods and improve their public image. Yet it would seem a bit harsh to say that they should not have the charity drive and deny needed funds for the homeless.” (Ciulla, 2005a: 164)

To secure that community involvement is beneficial for *both* business and community (Epstein & Roy, 2003a: 18; Porter & Kramer, 2002), Bruch and Walter (2005) propose to distinguish CCI with regard to market orientation and competence orientation. First, *market orientation* describes in how far targets for CCI actions are aligned towards external demand by stakeholders. A higher demand usually comes together with higher visibility in the

marketplace and as such means higher strategic potential for the firm. Second, *competence orientation* describes how close CCI programmes are aligned to core competencies of the firm. The higher the competence-orientation, i.e. the closer philanthropic action is to what the company does every day, the more effective are philanthropic actions.⁹ These two dimensions lead to four types of CCI depicted in Figure 7.

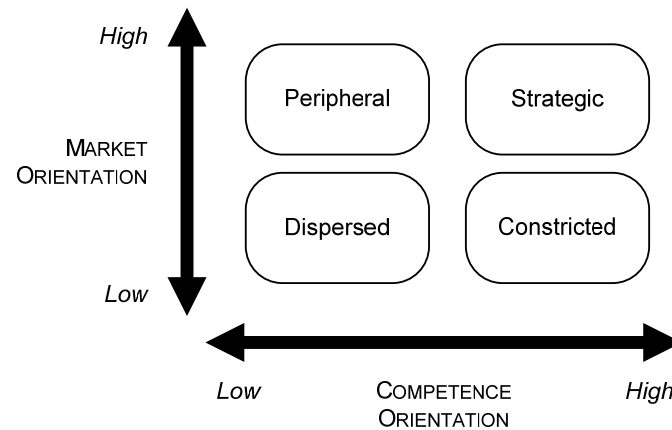


Figure 7 Four Types of Community Involvement

Source: Based on Bruch & Walter (2005: 51)

Bruch and Walter regard strategic CCI, characterised by both high market-orientation and high competence-orientation as most effective:

“Companies with this approach to corporate philanthropy [i.e. CCI] achieve sustainable results with regard to both their stakeholders' needs and their own competitive advantage. While providing substantial benefits for society, they can gain opportunities to learn how to apply their core competencies in new business areas, boost their employees' intrinsic motivation, stimulate customer demand and enhance their attractiveness in the labor market. They maintain and even strengthen their identity by aligning their social engagement with the overall company mission and vision.” (ibid.: 53)

In summary, CCI is characterised as follows:

CCI is a CSR-activity directed at beneficiaries off core business using different resources and (core) competencies of the firm to improve local communities in regard to economic, social, or environmental issues. CCI impact improves with increasing time-horizon and scope of engagement. Simultaneously, CCI can have positive impacts on business: In the short-term through image and market penetration, and in the long-term, through an improved competitive context.

4.3 Stakeholder Theory

Stakeholder theory originally gained publicity when Freeman offered a new perspective to strategy: To put stakeholders in the heart of strategic analysis (Freeman, 1984; Freeman,

⁹ Hess et al. (2002) calls such programmes corporate social initiatives (CSI). For example, a consulting business that donates consultant days to non-profit organisations in order to support them is a good example for a high competence orientation. Other examples are given by Habisch (2006: 94).

Harrison & Wicks, 2007: 229; Freeman & Reed, 1983: 92f). Freeman et al. (2007: 99, 231) argue that there is no need to think about social responsibilities in terms of separate, additional obligations of the firm. Rather, responsibilities are an inherent part in stakeholder management, which they sees as “a different way of doing business that integrates considerations of business, ethics, and society” (ibid.: 99).¹⁰ They understand business as relationships between stakeholders:

“Business can be understood as a set of relationships among groups that have a stake in the activities that make up the business. Business is about how customers, suppliers, employees, financiers (stockholders, bondholders, banks, and so on), communities, and managers interact and create value. To understand a business is to know how these relationships work. The executive's or entrepreneur's job is to manage and shape these relationships....” (ibid.: 3)

Jones proposed to use “the stakeholder model as a central paradigm for the business and society field” (1995).

4.3.1 The Stakeholder Model of the Firm

At the heart of stakeholder theory lies the stakeholder model of the firm, Figure 8 gives an overview of this changed paradigm of the firm. In the traditional input-output model (left), investors, suppliers, and employees are considered as resources or inputs which are transformed into outputs to satisfy customers needs. In contrast, the stakeholder model (right) takes a systems perspective (Clarkson, 1995: 106, 107) and regards diverse stakeholders as constituents with legitimate interests in the firm, all participating in a firm to obtain benefits (Donaldson & Preston, 1995: 68). Freeman (2007: 60) et al. demand to align value creation towards stakeholders, as well as to consequently integrate stakeholder into processes, communication, and marketing.

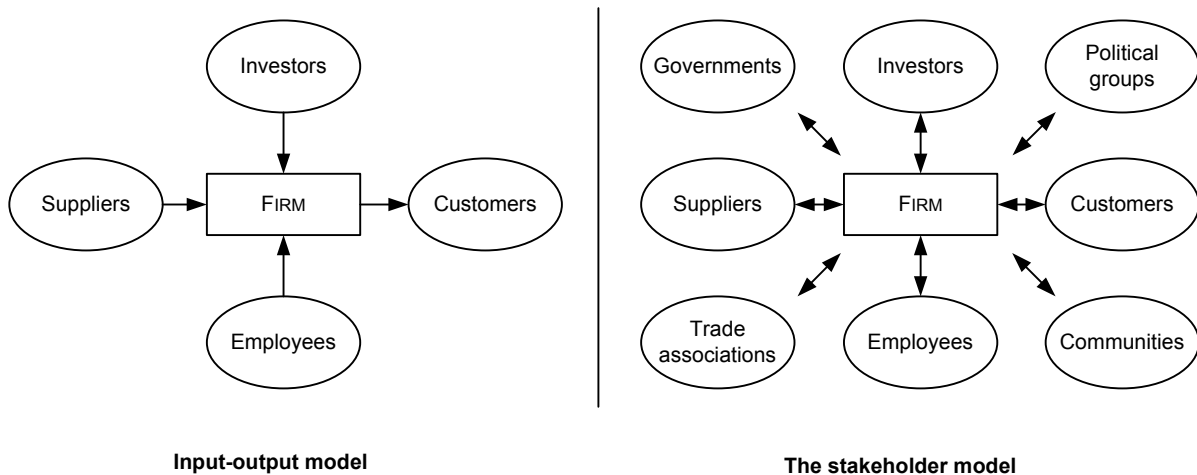


Figure 8 Input-Output Model Versus Stakeholder Model of the Firm

Source: Donaldson & Preston (1995: 68f); also: Post, Preston & Sachs (2002: 10)

¹⁰ Continuing that line of argumentation, the authors even propose to redefine the term of CSR to “corporate stakeholder responsibility” (Freeman, Harrison & Wicks, 2007: 99). The same line of argumentation is followed by Clarkson, who already recognised, based on empirical research, that “corporations and their managers manage relationships with their stakeholders and not with society” (Clarkson, 1995: 100).

The stakeholder model is further clarified by looking at the *entire value chain*. The stakeholder model transcends the pure focus on economical efficient value creation to also consider the status of various stakeholders in different links of the value chain (Freeman, Harrison & Wicks, 2007: 14f).¹¹ This “responsibility chain” is depicted in the following Figure 9.

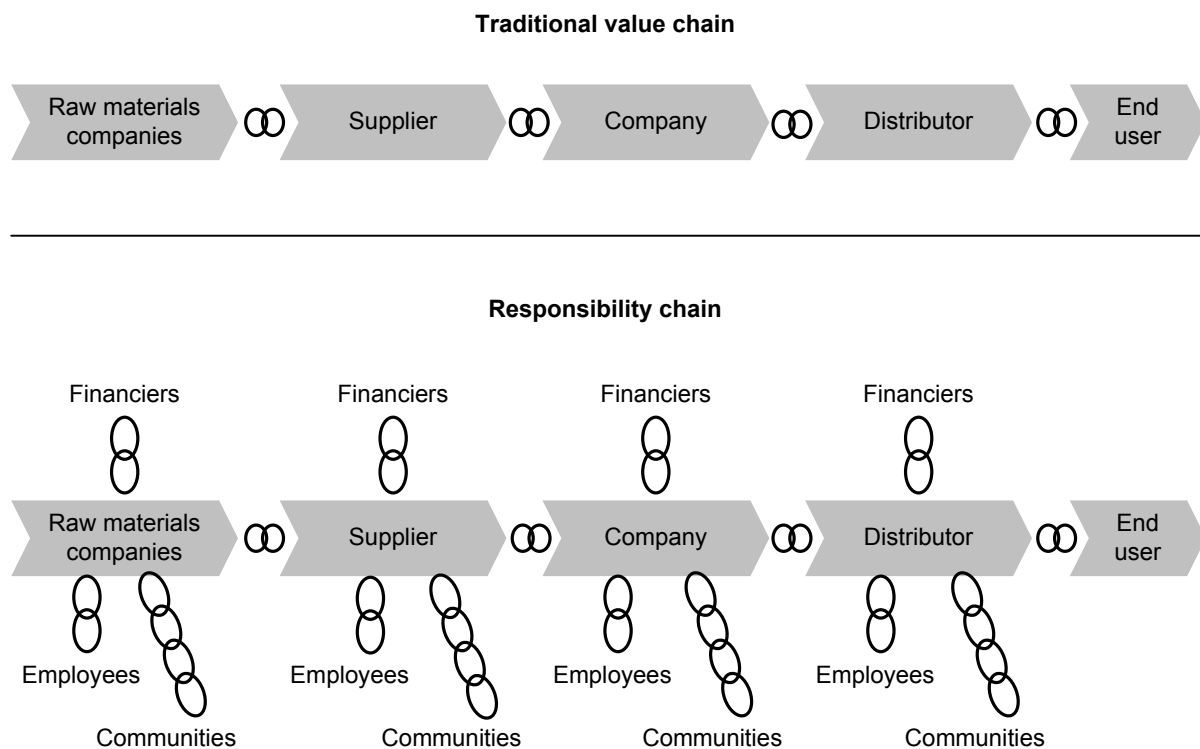


Figure 9 Traditional Value Chain and Responsibility Chain

Source: Freeman, Harrison & Wicks (2007: 14)

This setting requires managers to accomplish new tasks and to possess and develop new type of skills, which I will turn to in later parts of this work.

4.3.2 Stakeholder Identity

One of the most challenging issue of stakeholder management is *stakeholder identity*¹², which defines who are and who are not stakeholders. This is important because “if everyone is a stakeholder of everyone else, how useful is the term stakeholder itself?” (Phillips, 1997) Generally speaking, stakeholders may be “[p]ersons, groups, neighbourhoods, organizations,

¹¹ The following example brings further clarification to this issue: In a traditional setting, firms which come under increased financial pressure would try to escape this situation by putting their suppliers under increased pressure. The suppliers in turn would have to reduce labour standards, reduce investments in safety and environmental protection, and increase pressure to its proper (raw material) suppliers. In fact, this is an externalisation of problems from the firm to its suppliers. In a responsibility chain this is no longer valid: A responsibility chain demands responsibility towards stakeholders, which requires systems thinking and collaborative solutions instead of firm-centred actions.

¹² Freeman and Reed (1983: 92) originally call the corporate process to identify stakeholders the “stakeholder audit process”.

institutions, societies, and even the natural environment” (Mitchell, Agle & Wood, 1997: 855).¹³ Based on earlier work (Freeman, 1984: 46; Freeman & Reed, 1983: 91), Clarkson (1995: 106f) proposes a terminology of

- *primary stakeholders*, who are necessary for the survival of the company; and
- *secondary stakeholders*, who influence, or are influenced by, the corporation.¹⁴

Freeman et al. demand that the entire set of stakeholders, both primary and secondary, are regarded simultaneously and balanced, never trading off interests of one versus another over time (Freeman, Harrison & Wicks, 2007: 60) because these stakeholders can affect the achievement of the firm’s objectives (Freeman & Reed, 1983: 91).¹⁵ Some authors criticise that this understanding of stakeholders was too instrumental (Phillips, 1997; Rüegg-Stürm, 2005) because stakeholders were only defined in relation to the firm’s objectives. They argue that this understanding of stakeholders was “perfectly consistent with the claim that a manager’s only obligation is to increase the profits” (Phillips, 1997: 53) and that this would be just a “watered down version of the shareholder value approach” (Rüegg-Stürm, 2005: 20). Accordingly, scholars more intensively studied stakeholder identity in regard to *moral obligations* (Langtry, 1994) or on the *principle of fairness* (Phillips, 1997, 2000).

Based on a review of existing stakeholder identification approaches, Mitchell and Wood (1997) advocate an integrated framework for stakeholder identification and classification based on three attributes:

- *Power*. A party has *power* if it has some sort of means, to impose its will in the relationship. Such means may be *coercive* (i.e. application of physical means), *utilitarian* (i.e. granting of material rewards such as goods, services and money), or *normative* (i.e. prestige, esteem, love and acceptance).
- *Legitimacy*. This is defined as the “assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definitions” (Suchman, 1995: 574). Mitchell concludes that legitimacy is a desirable social good and that it is analysed on individual, organisational, and societal level.
- *Urgency*. An urgent issue calls for immediate action. This time-sensitive variable brings dynamic into the proposed model.

Based on the combination of the three attributes, the authors categorise stakeholders into seven classes. Entities which do not possess either one of the attributes are named ‘nonstakeholders’ or ‘potential stakeholders’. This classification is described more detailed in Table 2.

¹³ The discussion whether the natural environment is a stakeholder or not is discussed by other researchers (Phillips, 2000; Starik, 1995). Donaldson and Preston (Donaldson & Preston, 1995: 86) discuss whether media, management, and competitors should be stakeholders or not. Schwartz proposes that for religious-oriented firms or managers, it can also make sense to regard God as a “managerial” stakeholder (Schwartz, 2006).

¹⁴ Later, in their revised book on stakeholder management, Freeman, Harrison and Wicks (2007: 50f) take over this terminology. The authors explicitly note that “community” should be a primary stakeholder.

¹⁵ In his seminal work published a year later, Freeman (1984: 46) basically introduced the same broad definition.

Stakeholder group	Type	Attributes	Properties
Latent (one attribute)	Dormant	Power	<ul style="list-style-type: none"> • Possess power which remains unused because they have little or no relationship with the firm
	Discretionary	Legitimacy	<ul style="list-style-type: none"> • Have legitimate claims in the firm, but due to lack of power and urgency remain largely unrecognized by management
	Demanding	Urgency	<ul style="list-style-type: none"> • Have “urgent” issues, but they lack of broader support for this perspective and. Thus, lack legitimacy. • Do not have the power to make themselves recognised
Expectant (two attributes)	Dominant	Power & legitimacy	<ul style="list-style-type: none"> • Have legitimate claims in the firm as well as the possible to act upon these • Firms commonly establish some kind of formal structure to respond to these stakeholders
	Dangerous	Power & urgency	<ul style="list-style-type: none"> • Have pressing issues at hand and power to address these • Lack, to a varying degree, legitimacy
	Dependent	Legitimacy & urgency	<ul style="list-style-type: none"> • Despite their pressing and legitimate issues, they totally depend on the power of others (e.g., the management of the firm or the government) to get attention
Definitive (all attributes)	-	Power, legitimacy, & urgency	<ul style="list-style-type: none"> • Have priority in the attendance by the management

Table 2 Stakeholder Typology by Power, Urgency, and Legitimacy

Source: Based on Mitchell, Agle & Wood (1997: 872–879)

Mitchell (1997: 879) argues that stakeholder maps resulting from stakeholder identification are dynamic: Stakeholders can loose and acquire attributes over time and, thus, change their type. Stakeholders can follow different strategies to acquire missing attributes. They may use coalition building or involve in political action in order to acquire power, or they may involve in (re)construction of social reality (i.e. change societal norms, values and beliefs) in order to influence perception of legitimacy of their issue.

To summarise stakeholder theory, I want to stress four points:

- The firm constitutes of a large set of stakeholders, all taking part in value creation.
- The supply chain, or value chain, is not merely regarded as a flow of materials and goods but rather as a chain of stakeholder firms, in which responsibility demands to include stakeholders of other players, upwards and downwards the value chain, into the consideration of business.
- In a stakeholder world, managerial work constitutes of the management of stakeholder relationships.
- Lastly, the stakeholder identification is a complex task, depends on dimensions of power, legitimacy, and urgency, and is hence firm-specific.

4.4 Sustainable Development and Corporate Sustainability

Sustainability is a term which is often subject to misunderstandings between actors from different fields. In common speech, most of the time “sustainability” is narrowly regarded as a synonym for “long-term” (e.g., Albrecht, 2008: 56). In this sense, for example, “sustainable business” refers to “long-term sustained profits”. Whilst the latter is key for corporate survival, the present work uses sustainability in a more holistic way, as the reminder of this subsection will show.

Historically, sustainability is often linked to the term of “sustainable forestry”, which describes the rule of thumb that no more trees ought to be lumbered than can grow again in a certain period of time (Dietzfelbinger, 2004a: 260; dknw & ifo Institut, 2002: 5). The term *sustainable development* was first used in the “World Conservation Strategy” of the International Union for Conservation of Nature and Natural Resources (IUCN) (1980); but not until the report “Our Common Future”, or simply the “Brundtland Report”¹⁶, had been developed by the World Commission on Environment and Development (WCED) and transmitted to the UN General Assembly in 1987, the notion became more popular. The most popular paragraph of the latter report, until today being used as definition for sustainable development (e.g., Garriga & Melé, 2004: 61; Jonker & Marberg, 2007: 27), is the following:

“Sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs.” (UN, 1987: 54)

This definition especially stresses *intra*-generational and *inter*-generational equality (Belz, 2005: 1) under “environmentally sustainable conditions” (Müller & Siebenhüner, 2007: 234). Different authors advanced the generic definition above to more specific set of definitions and principles (Majer, 2004; McIntosh & Arora, 2001; Paech & Pfriem, 2004: 35). The following Table 3 presents these advancements by distinguishing two perspectives: The *quantitative perspective* asks about the *necessary scope* of production and need satisfaction, whereas the *qualitative perspective* ask how a *given scope* of needs is satisfied (Paech & Pfriem, 2004: 35).

Perspective	Principles	Description
Quantitative	Distribution	Combat global inequality in income and wealth
	Sufficiency	Change consume patters (e.g., through replacement of products by services)
Qualitative	Efficiency	Produce with highest possible resource (e.g., raw materials, energy) efficiency
	Consistency	Use closed cycle production: through reusability, recycling, and upcycling
	Prevention	Prevent or <i>discontinue</i> (ex post) usage of dangerous materials and technologies
	Risk minimisation	Regard sustainability risks in innovation management (ex ante); Neglect the development of risky or irreversible products/technologies

Table 3 Principles of Sustainable Development

Source: Based on Paech & Pfriem (2004: 35)

¹⁶ The commission was chaired by Gro Harlem Brundtland who personally and enthusiastically engaged in the project.

The concept developed in the Brundtland report was part of a political agenda and is, thus, located on the macro-level (Garriga & Melé, 2004: 61; Müller & Siebenhüner, 2007: 234; Loew et al., 2004: 130). However, people have increasingly recognised that sustainable development could not be achieved solely by political action, but that corporations should have an active role in sustainable development (Elkington, 1994: 91; WBCSD, 2006). The micro-level business approach was then coined *corporate sustainability* (Garriga & Melé, 2004: 62; Loew et al., 2004: 13). This is depicted in Figure 10 below.

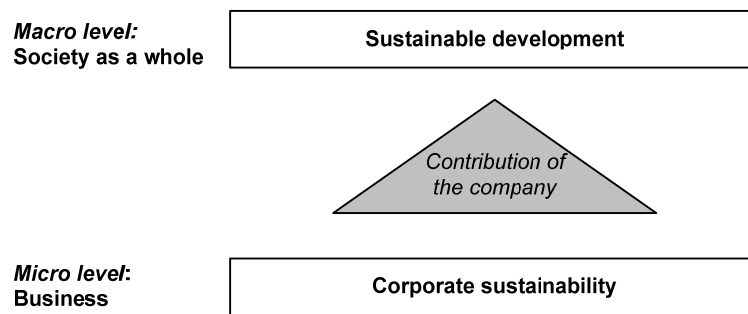


Figure 10 The Link of Corporate Sustainability and Sustainable Development

Source: Based on Garriga & Melé (2004: 62) and Loew et al. (2004: 13)

To operationalise corporate sustainability (CS), it is usually translated into three core dimensions: Economic, environmental, and social (Epstein & Roy, 2003b: 80; Gray, 2006: 73; Kemp, 2001: 6; Majer, 2004: 25; Porter & Kramer, 2006: 82), for which Elkington (1998) coined the term “triple bottom line” (TBL).¹⁷ Alternatively, these three dimensions are regarded as types of capital (Bieker & Dyllick, 2006: 89; Dyllick, 2002: 9; Dyllick & Hockerts, 2002; SIGMA, [2003]: 15–20):

- *Economic capital.* This traditional type of capital includes, first, financial capital (i.e., shares, equity capital and borrowed capital, and money). Second, it covers real capital (i.e., machines, buildings, and other assets). To date, intangibles like knowledge are also regarded as an element of economic capital (Dyllick & Hockerts, 2002: 133).
- *Social capital.* Two sub-types of social capital exist: Human capital, and societal capital (ibid.: 134; Spangenberg, 2002: 303; Spangenberg & Bonniot, 1998). Human capital addresses issues like employment, salary and wages, health and safety, training and education, and diversity and equal opportunities. Societal capital addresses the quality of relationships to external stakeholders like customers, suppliers, partners, the local community, government, media, and NGOs.
- *Environmental capital.* First, the analysis of environmental capital includes natural resources like energy and physical material, which can be renewable (e.g., wood, solar

¹⁷ The term was coined by John Elkington and his consultancy firm SustainAbility “to resonate with business brains” (Elkington, 2006a: 523) and was first published in a study called “Engaging Stakeholders” (UNEP & SustainAbility, 1996). The term triple bottom line was chosen as a word play on (financial) bottom line, which is the net profit of a corporation. In contrast to the conventional financial bottom line as a “one-dimensional” measure of success, the TBL approach suggests firms to apply a three-dimensional success criteria consisting of the economic, environmental, and social dimension.

energy) or non-renewable (e.g., fossil fuels). Second, it includes production processes to deliver products and services. These processes create “sinks that absorb, neutralise, or recycle wastes” (SIGMA, [2003]: 16). Furthermore, environmental capital includes processes, regulations, and interrelations of the entire eco-system (e.g. climate regulation), which human action affects (Bieker & Dyllick, 2006: 89).

Researchers also criticise the triple bottom line in various ways (Bieker, 2005: 50; Gray, 2006: 73; Paech & Pfriem, 2004: 32f). Often the capitals are treated as distinct entities to be separately addressed, or because they are subject to traded-offs (e.g., economic versus environmental). However, sustainability depends on the *simultaneous* achievement of economic, environmental, and social goals (Dyllick & Hockerts, 2002: 132, 135; Majer, 2004: 25), as depicted in Figure 11.¹⁸

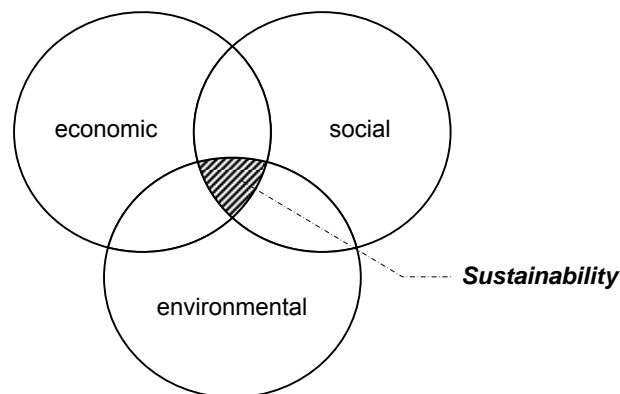


Figure 11 Sustainability as the Intersection of Economic, Social, and Environmental Capital

Source: Majer (2004: 25)

Some researchers criticise the limitation to three capitals and, thus, developed extended models (e.g., Sheu 2005). Most frequently, social capital is split into firm-internal “labour” and external “society” (Dyllick & Hockerts, 2002: 134; SIGMA, [2003]; Spangenberg, 2002: 303; Spangenberg & Bonniot, 1998).¹⁹ Pfriem (2004: 244) argues for *embeddedness* in the sense that firms (economic capital) are embedded in society (social capital), which itself is embedded in the natural environment (environmental capital). Other researchers stress the *interdependencies* between capitals (Dyllick & Hockerts, 2002; Spangenberg, 2002: 306) as presented in Figure 12. For example, eco-efficiency describes simultaneous advancement of the environmental and economic capitals.

¹⁸ Later, the term “People, Planet, and Profit” was used interchangeably. In Germany, the term was adopted by a commission of the German parliament (Enquete Kommission des Deutschen Bundestags “Schutz des Menschen und der Umwelt”) and translated into „Die 3-Säulen-Theorie der Nachhaltigkeit“ (Majer, 2004: 25).

¹⁹ Other conceptualisations distinguish further types of capitals, for example, SIGMA ([2003]) lists the five capitals natural, human, social, manufactured, and financial capital. Sheu and Lo (2005) list the four capitals human, financial, manufactured, and natural capital. Majer developed a new sustainability triangle (Majer, 2004: 28) consisting of the dimensions: Justice; holistic approach; and long-term-approach centring around the core element of “humans”.

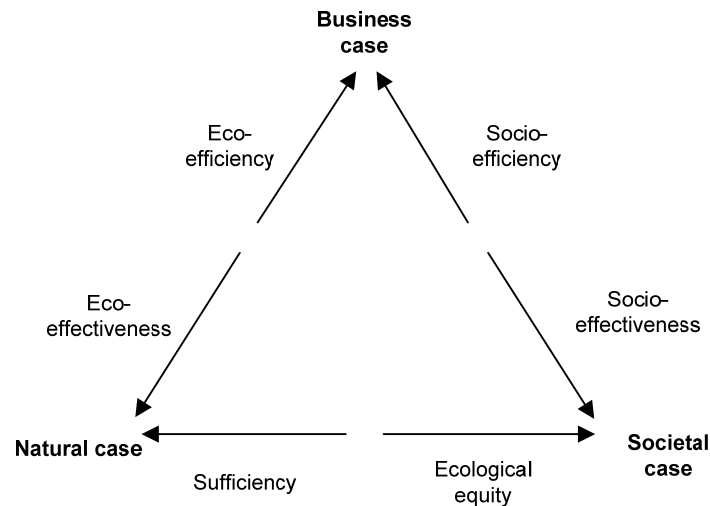


Figure 12 Three Capitals and Interdependencies

Source: Dyllick & Hockerts (2002: 138)

4.5 Terminology Used in Present Work

CSR, stakeholder management, and corporate sustainability increasingly merge to one integrated perspective (Bassen, Jastram Sarah & Meyer, 2005; Lockett, Moon & Visser, 2006: 117; Loew et al., 2004: 74; Marrewijk, 2003: 102; Schwartz & Carroll, 2008; Waddock, 2006: 5).²⁰ However, ambiguity exists with respect to the *umbrella term for all these concepts*. Some continue to use the label CSR with an extended coverage (Bassen, Jastram Sarah & Meyer, 2005; Vasegi & Lehni, 2006: 99). Also, researchers and practitioners increasingly refer to CSR and sustainability in the same breath (Lenssen et al., 2007; Senge et al., 2006a: 87; SustainAbility, 2007: 23). Others simply use “corporate responsibility” (CR) as a meta term (Albareda et al., 2006; Kirchhoff, 2006: 17; Meehan, Meehan & Richards, 2006; Waddock, 2006: 5). In the present work, I will use both terms, CR and sustainability, thereby using them interchangeably. Though economic liabilities are an integral part of CR (CSR covers the category of economic responsibilities; capital types of corporate sustainability cover the economic capital; the stakeholder model regards financiers as primary stakeholders), along with other scholars (see citation analysis in Lockett, Moon and Visser 2006: 124), I focus this work on non-economic (i.e., social and environmental) aspects. The following Figure 13 depicts the overall terminology used in this work.

²⁰ To date, CSR generally describes a much broader concept (Bassen, Jastram Sarah & Meyer, 2005; Vasegi & Lehni, 2006: 99) than in earlier days. Carroll (1979) integrated the theories of CSR and issues management under the theory of corporate social performance (CSP). Carroll (1991: 43) merged research in CSR with stakeholder theory. In order to better describe corporate responsibilities towards different internal and external groups he advocated a “stakeholder/responsibility matrix”. Other authors further developed this approach (Doh & Stumpf, 2005: 9; Waddock, 2006: 199–202; WBCSD, 2000: 18). Epstein (1987; 1989) integrated key elements of CSR and business ethics. Vice versa, the CSR terminology is increasingly adapted by business ethics scholars (e.g., Crane & Matten, 2004; Hansen & Schrader, 2005: 375, footnote 25). Dietzfelbinger (2004b) even regards sustainability as the new basis for business ethics. Bassen et al. (2005) subsumed sustainability, corporate citizenship, and stakeholder management under the notion of CSR. Recently, Schwartz and Carroll (2008) proposed a theoretical model which integrates CSR, business ethics, stakeholder management, corporate sustainability, and corporate citizenship.

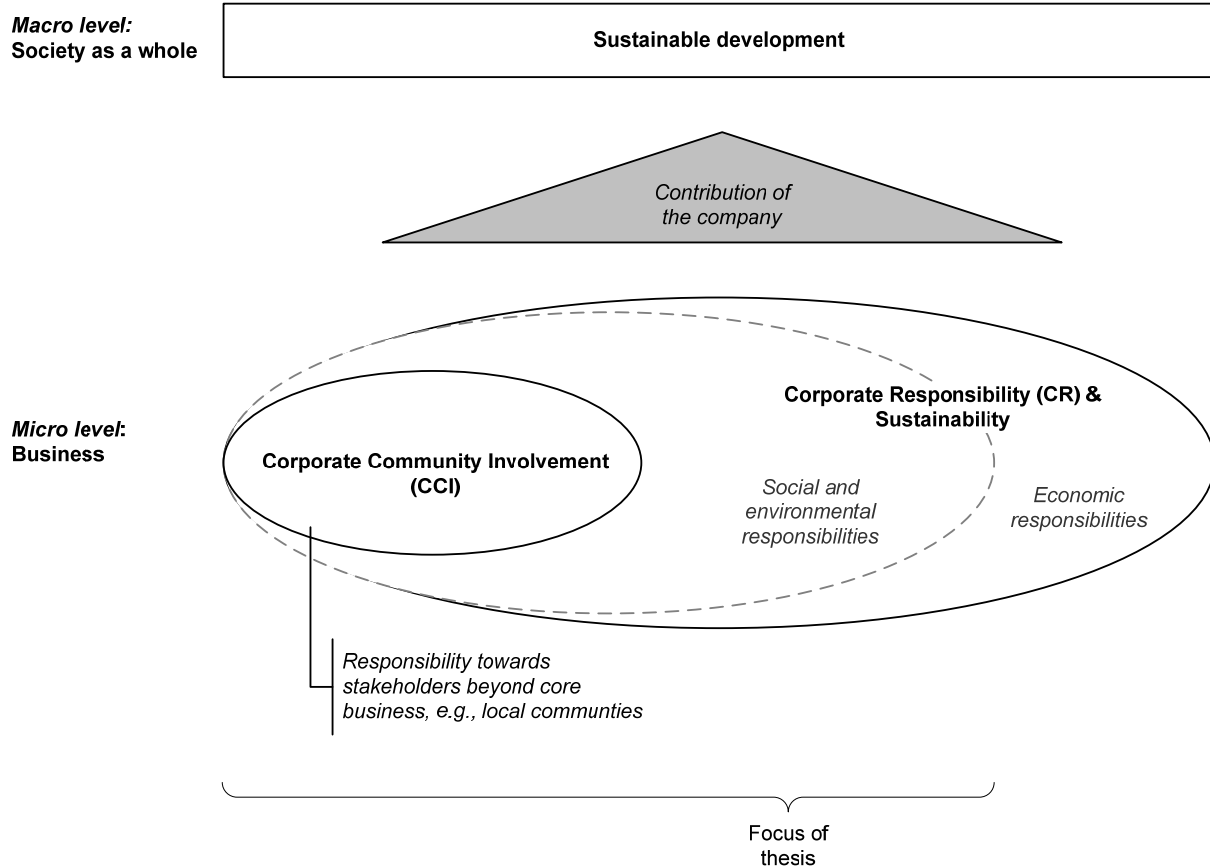


Figure 13 Terms and Abbreviations Used Throughout this Thesis

Source: Based on Loew et al. (2004: 13)

4.6 Issues of CR

The previous sections introduced CR on a rather abstract level. Different perspectives for analysis including responsibility categories, issues, capital types, and stakeholders were presented (Figure 14).

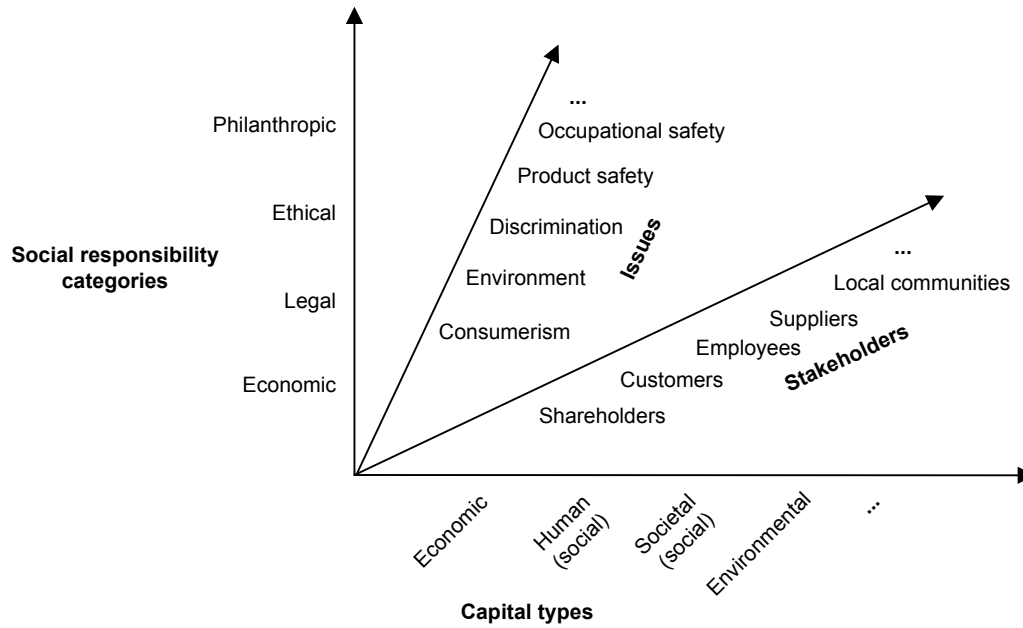


Figure 14 Mode of Analysis for CR Issues

To better understand CR it is important to recognise the nature of specific issues more thorough (Rowley & Berman, 2000: 402). Generally, issues can be categorized into public policy, strategic, and social issues (Wartick & Rude, 1986). Thereby, CR focuses on social (i.e., social and environmental) issues (Carroll, 1979: 501). In the following “CR issues map” (Figure 15), I enumerate social issues considered in literature (sorted by stakeholders²¹), though not claiming it exhaustive.

²¹ Most prominent alternative scheme is the presentation of responsibilities along the value chain (Epstein, 2008a: 91; Porter & Kramer, 2006: 86).

Feature / study	COM, 2001	Hansen & Schrader, 2005	Loew & Braun, 2006	Kaufmann et al., 2008	SustainAbility & UNEP, 2001	SIGMA, 2003	Epstein & Roy, 2003	GRI, 2006	UNGC, 2008
<i>Meta-concept</i>	CSR	CSR	CSR	CSR	CS	CS	CS	-	-
Accountability towards stakeholders	•		•		•	•	•	•	
- Transparency	•				•	•	•	•	
- Engagement with stakeholders / dialogues					•	•		•	
- External stakeholder communication	•		•		•			•	
Human rights & ethics	•	•	•	•	•	•	•	•	•
- Human rights	•	•	•	•	•	•	•	•	•
- Fight against corruption	(•)	•	•			•		•	•
- Business ethics					•		•		
Responsibility for employees	•	•	•	•	•	•	•	•	•
- Employment & responsible restructuring	•		•					•	
- Compensation (reasonability)	•		•			•	•	•	
- Employee health & safety	•		•	•		•		•	•
- Training & Development	•		•	•		•	•	•	
- Diversity & Equal Opportunity (Gender, Age, Disability)	•		•			•	•	•	•
- Work life balance (inkl. family or other leave times, day care, ..)	•				•		•	•	
Corporate environmental protection	•	•	•	•	•	•	•	•	•
- Eco-efficiency	•		•	•	•	•	•	•	•
- Energy management & climate protection	○		•	•				•	
- Closed-loop production / Recycling			•	•		•	•	•	•
- Bio diversity			•			•		•	
Responsibility in the supply chain	•	•	•	•	(•)	•	•	•	•
- Environmental protection in the supply chain	•	•	•	•	(•)	•	•	•	
- Working conditions in the supply chain	•	•	•	•	(•)	•	•	•	•
Responsibility for customers & products	•		•		•	•	○	•	
- Product safety	•					(•)	•	•	
- Integrated product policy/life-cycle assessments	•		•		•	•		•	
- Introduction of (social-environmental) superior products			○		•	•		•	
Responsibilities for the community	•	•	•	•	•	•	•	•	○
- Development of local communities	•		•	•	•	•	•	•	○
- Corporate giving / sponsoring	•	•	•		•			•	
- Corporate volunteering		•	•		•			•	
Responsibilities for other stakeholders		•	•	(•)	•	•	•	•	
- Financial return for shareholders (or business case rethorik)				(•)	(•)	•	•	•	
- Development of industry standards / legal framework		•	•		•			•	

- strong (major feature)
- modest
- low (mentioned somewhere)
- (•) Indirectly or implicitly included

Figure 15 CR Issues Map

Source: Own analysis based on COM (2001); Epstein (2008a); Hansen & Schrader (2005); Kaufmann, Ehr Gott & Reimann (2008); Loew & Braun (2006); SIGMA, [2003]; SustainAbility & UNEP (2001); and UNGC (2008)

The broad list of issues covered sometimes provokes critique that CR was a panacea because it covers virtually any corporate issue (Paech & Pfriem, 2004: 12). And still, the list is not exhaustive for two reasons:

- *First, CR is a “dynamic” concept*, meaning that issues subsumed under the umbrella term CR can change according to current debates in society and media (Bassen, Jastram Sarah & Meyer, 2005; Sethi, 1975: 62) and modifications in legal requirements (Logsdon & Yuthas, 1997: 1218). In other words, the “issues maturity” develops through different stages from “latent”, over “emerging”, and “consolidating”, to “institutionalised” (Zadek, 2004: 128). For example, at the beginning of the 21st century, scientific discoveries about climate change became an emerging issue represented by its omnipresence in media (Epstein, 2008a: 62–64). Once, this problem is fully institutionalised within legislation and business norms and policies (e.g., carbon reduction schemes), it probably loses the state of an pressing “issue”.
- *Second, CR issues are partly country-specific*. To clarify this, Matten and Moon (2008) distinguish between “explicit” and “implicit” CR. Whereas the former describes purely voluntary responsibilities a firm addresses due to corporate discretion, the latter indicates responsibilities part of the formal and informal institutions of a society or nation, which are thus regarded as obligations of all corporations. Implicit CR like, for instance, youth apprenticeship programs in Germany, do exist more often in social market-economies than in purely capitalist economies like the US.²²

²² Epstein (2008a: 48) also incorporates geographic context (as part of the “external context”) in his model. Still, Steger (2004: 62), based on empirical data, questions whether the national culture and business context has a significant impact on CR.

5 Motivation for CR

Organisations as well as individual organisational members have different value systems and, hence, also different motivations for engaging in CR. In the following sections, I develop a better understanding of these motivations. *First*, I present a meta-analysis on empirical findings. *Second*, I develop two general motivations called the moral case and the business case.

5.1 A Meta-Analysis of Drivers and Barriers for CR

5.1.1 Barriers of CR

First of all, there are some more generic hurdles for CR which can be traced back to the early years of CR theory. Mintzberg (1983: 5f) enumerates four major barriers: 1) “Rhetoric – no action” which says that people mistrust corporations at large and see CR as a “giant marketing campaign”; 2) “lack of capabilities” indicating that managers just don’t have the knowledge to tackle social issues; 3) “no rights”, saying that managers do not have public legitimacy and, thus, are not allowed to address broader social issues; and 4) “prohibition by corporations structure” saying that corporate policies, structures, and control systems do not allow for social responsible behaviour. Comparable arguments were also identified by Davis (1973). Weiser and Zadek (2000) developed an analytical tool to effectively address such “disbelievers” (i.e. managers with a deeply sceptical attitude against the CR approach). Empirical data shows also pragmatic reasons for reluctance regarding CR, for example, that time effort was too high (Figure 16).²³

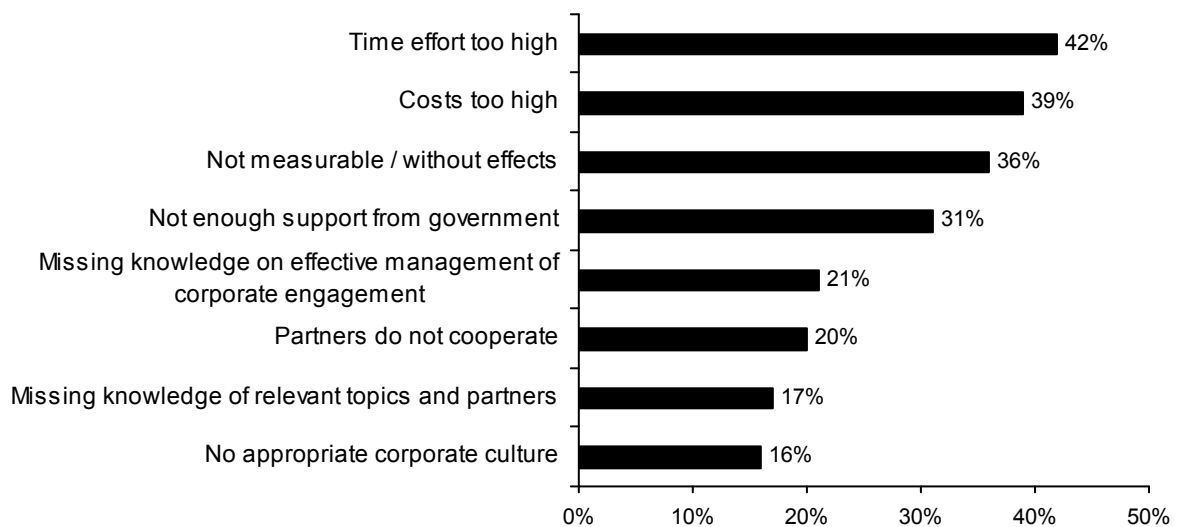


Figure 16 Barriers for CR According to German Executives

Source: Translated based on Bertelsmann Stiftung (2005a: 15)

²³ Older empirical results are available by ifo Institut (2002: 41).

5.1.2 Drivers for CR

Until to date, several larger empirical studies have been conducted analysing the motivation for corporations engaging in CR. In order to determine drivers for CR, I use a meta analysis covering four studies conducted between 2001 and 2005: (Bertelsmann Stiftung, 2005a; GTZ, 2006; ifo Institut, 2002; Steger, 2004). So far possible, I regarded only the data of large corporations (>1000 employees). Half of the studies targeted CR executives, whereas the other half was directed towards executives in general. I categorised the data entries into eight groups as presented in the graphical overview in Figure 17; the empirical details are listed in the subsequent Table 4.

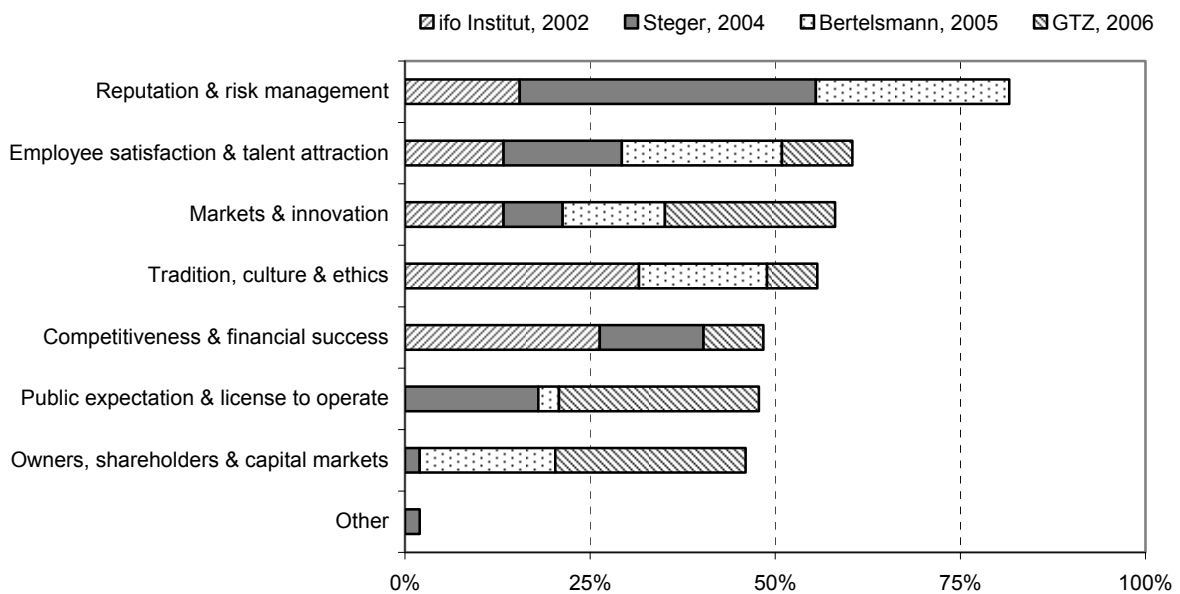


Figure 17 Major Drivers for CR According to Empirical Studies

Source: Based on own meta-analysis and calculations (cf. Table 4)

Characteristics	Study			
	ifo Institut	Steger	Bertelsmann	GTZ
<i>n</i>	76*	123	500	20
<i>Firms [#]</i>	76*	104	500	20
<i>Respondents</i>	Executives (board level)	CR officers	Executives	CR executives
<i>Industry</i>	Manufacturing; Construction	Cross-industry	Cross-industry	Cross-industry
<i>Region</i>	Germany	World	Germany	Germany
<i>Size of Companies [employees]</i>	>1000*	>10000	all	>10000
<i>Year of data collection</i>	2001	2002/2003	2005	2005

Drivers for CR	Study			
	ifo Institut**,***	Steger	Bertelsmann**	GTZ**
Tradition, culture & ethics	31.6%	0.0%	17.3%	6.8%
- Tradition / Corporate culture			17.3%	
- Ethics	11.3%			
- Responsibility for the (natural) environment	20.3%			
- Personal commitment of management				6.8%
Employee satisfaction & talent attraction	13.3%	16.0%	21.6%	9.5%
- Employee motivation	13.3%		21.6%	
- Employee satisfaction and attraction of employees		16.0%		
- Expectation and demand of personnel				9.5%
Markets & innovation	13.3%	8.0%	13.8%	23.0%
- Pressure by customers				13.5%
- Positioning on international markets				9.5%
- Development of new customer groups	13.3%		13.8%	
- Lead to innovation of products and services		8.0%		
Reputation & risk management	15.5%	40.0%	26.1%	0.0%
- Reputation	15.5%		16.8%	
- Reputation (and brand value)		23.0%		
- (Better) Risk management		17.0%	9.3%	
Public expectation & license to operate	0.0%	18.0%	2.8%	27.0%
- Maintain license to operate		18.0%		
- Public expectation				21.6%
- Pressure from laws and restrictions				2.7%
- Pressure from international standards				2.7%
- Requirements of NGOs			2.8%	
Owners, shareholders & capital markets	0.0%	2.0%	18.3%	25.7%
- Access to finance		2.0%		17.6%
- Requirement by owners or shareholders			13.3%	8.1%
- Requirements of capital market			5.0%	
Competitiveness & financial success	26.3%	14.0%	0.0%	8.1%
- Lead to cost reductions	13.9%	14.0%		
- Competitive advantage / Competitive pressure	12.4%			8.1%
Other	0.0%	2.0%	0.0%	0.0%
- Other		2.0%		
Total	100.0%	100.0%	99.9%	100.1%

* The complete study regards firm clusters with 1-49; 50-199; 200-999; >1000 employees

** normalised (100%)

*** Solution space (very important; important; less important) transformed into wheighed scale; normalised (100%)

Table 4 Drivers of CR According to Four Empirical Studies

Source: Based on Bertelsmann Stiftung (2005a); GTZ (2006); ifo Institut (2002); and Steger (2004)

The latter meta-analysis suggests that the major driver for CR is reputation. Employees (retention, talent attraction) and customers (new markets, product differentiation, innovation)

are increasingly important. At the same time, the analysis shows that CR often roots in tradition, culture, and ethics. The following two subsections will elaborate further on these drivers by making a distinction into moral case and business case.

5.2 Moral Case and Business Case

Generally, business decisions can be characterised by two dimensions, the moral and the economic dimension (Steinmann, Löhr & Suzuki, 2003: 195), resulting in four situations: Positive match, moral conflict, economic conflict, and negative match. A simplified approach distinguishes between the “moral case” and the “business case” (Hartmann, Rubin & Dhanda, 2007: 374; Salzmann, Steger & Ionescu-Somers, 2008: 4; also: Campbell, Moore & Metzger, 2002: 30), as presented in the subsequent Figure 18.

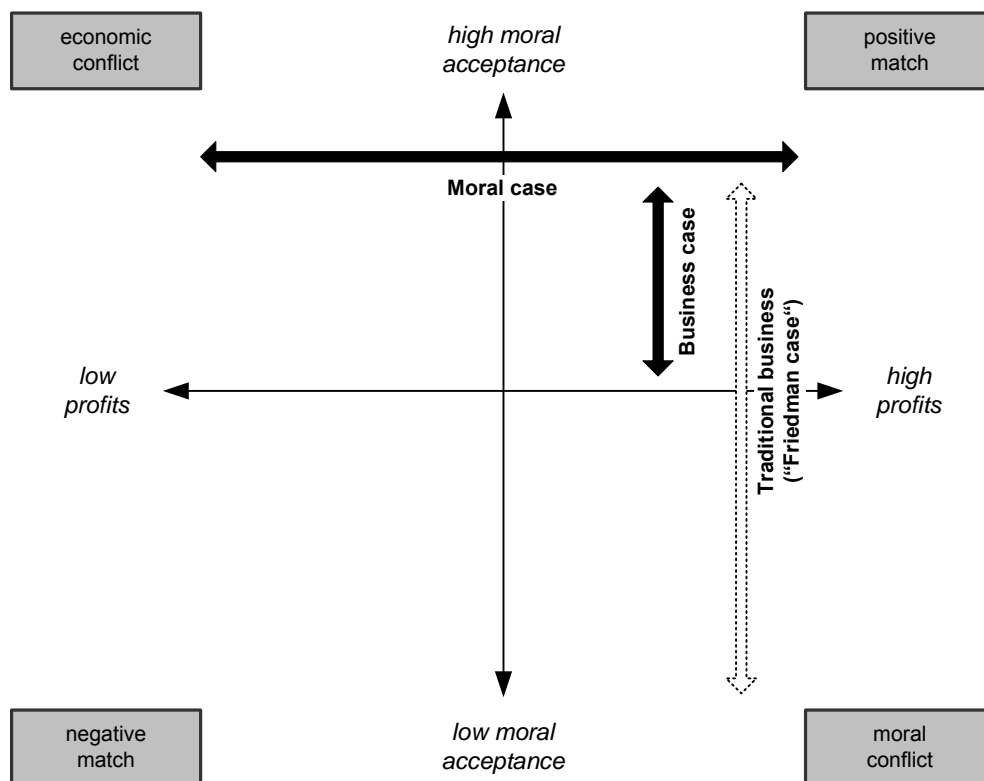


Figure 18 Moral Case and Business Case in the Morality-Profitability Matrix

Source: Based on Husted & de Jesus Salazar (2006: 87) and Steinmann, Löhr & Suzuki (2003: 195)

The “*moral case*” proposes that companies do CR due to purely moral reasons. The *business case* views CR as instrumental to business in the sense of a success factor. In contrast to these two cases, “traditional business” operates both within a positive match and moral conflict — this could also be labelled the “Friedman case” because Friedman has been famous for his statement that “the social responsibility of business is to increase its profits” (Carroll, 1991: 43; Husted & de Jesus Salazar, 2006: 75; Moore, 1995).²⁴ In fact, all of these cases are

²⁴ He is usually quoted with the statement that “the business of business is business”. With this statement Friedman wanted to deny any responsibilities of business beyond making profit. This is why Husted and

interrelated and overlap (Husted & de Jesus Salazar, 2006: 87). Also, moral and business case seem to be co-existing in practice (Gminder et al., 2002: 104). In the following, I describe the moral and business case more detailed.

5.2.1 The Moral Case

The *moral case* (e.g., Salzmann, Steger & Ionescu-Somers, 2008: 4) treats CR as a normative-ethical theory and proposes that companies do CR because it is the “right thing to do” (Garriga & Melé, 2004: 60; Googins, 2002: 89; Hartmann, Rubin & Dhanda, 2007: 374). By referring to Donaldson and Preston (1995), Waldman states that “it is possible for firms to engage in CR on largely moral or ethical grounds, without clear strategic rationale” (2006: 824). The moral case, which can also be a “social” or “natural” case (Dyllick & Hockerts, 2002: 138), is furthermore constituted by the rationale that moral “investments” are done even though sometimes inconsistent with financial goals (ibid.: 138; Hansen & Schrader, 2005: 387). Such “intrinsic motivational drivers” (Basu & Palazzo, 2008: 122) have different sources: Some root their understanding in philosophical concepts and ethics (ibid.: 122), others in humanistic, religious, and democratic values (Frederick, 1978: 152). Also, firms often relate to the company’s founder in justifying certain (moral) decisions (Howell & Avolio, 1992: 49; Treviño, 1990: 202). For example, 69 percent of executives (the second most important driver) state that they are pursuing CR because of the “tradition or corporate culture” (Bertelsmann Stiftung, 2005a: 13). Previously being linked directly to persons like the founder, such ethics is also institutionalised in rules, codes, and values, respectively in the corporate culture (e.g., Sackmann, 2005: 308; Wilson, Lenssen & Hind, 2006: 31). When CR is in contradiction to “the way things are done” in the firm, “managerial discretion” (Carroll, 1979: 500) based on personal values and beliefs can still result in remarkable drive towards CR.

5.2.2 The Business Case

The rhetoric of the business case of CR is that economic goals, on the one hand, and social and environmental goals, on the other, are intersected according to the motto “doing well by doing good” (Falck & Heblich, 2007). Against this background, CR is regarded as “much more than a cost, a constraint, or a charitable deed — it can be a source of opportunity, innovation, and competitive advantage” (Porter & Kramer, 2006: 80).²⁵ Accordingly, CR “is promoted if profitable, for example, because of an improved reputation in various markets” (Marrewijk, 2003: 102) what others call “enlightened self-interest” (Carroll, 1991: 43; Frederick, 1978: 151; Garriga & Melé, 2004: 53; Mintzberg, 1983: 4; Tracey, Phillips & Haugh, 2005: 330). Altogether, the business case is based on the assumption of an extending “marketplace of morality” where consumers, employees, jobseekers, investors, firms, and

Salazar acknowledge that “Milton Friedman [...] has served as the villain in much of the business and society literature” (2006: 75; also: Mintzberg, 1983: 6). Still, Carroll (1991: 43) adds that Friedman is usually cited in shortened form which overlooks that Friedman still demands business to be in line with legal and ethical custom.

²⁵ Porter and Kramer (2002) already argued in a similar manner, some years earlier. However, the focus of that publication was restricted on corporate community involvement.

governments make moral preferences part of their daily decisions (Dunfee, 1998; Marrewijk, 2003: 102).

A large research community evolved around the business case, consisting of academics, business networks, and specialised consulting firms (Brunner, 2006; Eckelmann, 2006; Epstein & Roy, 2003b; Hansen, 2004; Leitschuh-Fecht & Steger, 2003; Porter & Kramer, 2006; Salzmänn, 2006; Salzmänn, Ionescu-Somers & Steger, 2005; Schaltegger & Wagner, 2006c; Steger, 2004; Steger, Ionescu-Somers & Salzmänn, 2007; SustainAbility & UNEP, 2001; WBCSD, 2002; Weber, 2008).

5.2.3 Drivers of the Business Case

Whilst the moral case may be rooted in humanistic, ethics, or religious reasons whose detailed elaboration goes beyond this work, I elaborate on the most important drivers of the business case in the following paragraphs.

5.2.3.1 Markets, Innovation, and Competitiveness

“Moral markets” (Dunfee, 1998) and “green markets” (Bekefi & Epstein, 2008: 42) play an increasing role for CR. *Consumers* engage more strongly in buying decisions based on CR-oriented criteria. In Germany about 20 percent of consumers apply such extended criteria in their buying behaviour (Ballhaus, 2007). Partly, consumers are willing to pay extra premium for appropriate products (COM, 2001: 20). Marketing researchers (e.g., Rauch, Kirig & Wenzel, 2007) identified a new segment of consumers who follow a “lifestyle of health and sustainability” (LOHA). Increasingly, *social and eco-labelling initiatives* develop to highlight certain properties of products or companies (McWilliams & Siegel, 2001: 119). For example, “fair trade” products contribute to wealth in developing nations (Heslin & Ochoa, 2008: 128). Such labels work as market-based incentives to foster sustainability-oriented change (COM, 2001: 20f). Consumer magazines dedicated to product testing further spur this trend. For example, since 2004, the German magazine for product testings “Stiftung Warentest” applies enhanced criteria, including screenings of corporations concerning their social and environmental responsibilities (Schoenheit & Hansen, 2004). Also, CR is important for business-to-business transactions. For example, regulations for public supply on European (EU, 2004) and national level (RNE, 2008) increasingly incorporate CR-related criteria.

Organisations increasingly direct their products and services to these moral markets by differentiating products through CR (McWilliams & Siegel, 2001: 119). They begin to apply extended environmental and social assessments to their *innovation system* in order to create *sustainability-oriented innovations* (Fichter & Arnold, 2003; Fichter, Beucker & Noack et al., 2007; Fichter, et al., 2006; Hansen, Große-Dunker & Reichwald, 2009a, 2009b; Paech, 2004; Specht, 2004) and undertake investments accordingly (McWilliams & Siegel, 2001: 119). Methods for such an approach are, for example, integrated product management (IPM)²⁶ and product lifecycle analysis (LCA) (Belz, 2006: 140; Spillemaeckers & Vanhoutte, 2006). Whilst these methods address specific (prior defined) aspects of CR, a meta-method like the “sustainability innovation cube (SIC)” is used one step earlier to define the search focus for

²⁶ Other synonyms used are integrated product policy (IPP) and integrated product development (IPD).

potential sustainability effects of innovations (Hansen, Große-Dunker & Reichwald, 2009a, 2009b). The latter also suggests to take influence on consumer needs and consumption patterns, which is also the goal of *sustainability marketing* (Belz, 2004, 2006; Belz & Peattie, 2009; Kirchgeorg, 2002; McWilliams & Siegel, 2001: 120). This new school of marketing, amongst others, “promotes new lifestyles, which are modern and less materialistic” (Belz, 2006: 139). Other new marketing instruments include cause-related marketing, social marketing, and community involvement (Köhler & Haderlein, 2007: 76–83).

Innovation is not restricted to “traditional” markets. Rather, CR — especially in its sense to contribute to sustainable development — also covers development and satisfaction of *markets in underdeveloped nations* (Epstein 2008a: 212). A large part of the population in these developing nations have very low incomes and entirely different consumption schemes. To serve this “survival economy” (Hart & Milstein, 1999) or, as it is lately called by Prahalad and Hart (2002), the “bottom of the pyramid” (BOP), corporations have to develop new or adapted products, distribution channels, and marketing tools (Hammond & Prahalad, 2004; Krämer & Belz, 2008; Prahalad, 2006; Prahalad & Hammond, 2002; Prahalad & Hart, 2002).

5.2.3.2 Employee Satisfaction and Talent Attraction

Issues which are generally discussed in the society, like it is currently the case with CR, are usually also part of the *thinking and acting of employees* (von Rosenstiel & Comelli, 2003: 74). Thus, it is understood that CR can drive employee motivation (dknw & ifo Institut, 2002: 19; Tuffrey, 1995) and help to retain staff (Economist Intelligence Unit, 2007: 19). More specific, also *corporate community involvement* schemes can drive employee morale and loyalty; impact graduate attitudes towards potential employers (Tuffrey, 2003: 26); and also lead to employee personal and managerial skill development (PLF, 2000; PLF & BCCCC, 2005: 6; Tuffrey, 1998).

CR also affects *recruiting of new talents*. Talented employees look for companies with clear values (IBLF & SustainAbility, 2001: 8). Hence, CR has influence on the attraction and retention of top talents (Bhattacharya, Sen & Korschun, 2008; Oetinger & Reeves, 2007: 60; PLF & BCCCC, 2005: 6; WBCSD, 2002: 2). Kirchgeorg (2004) finds that 21 percent of talents belong to a category of “sustainability talents” with strong CR-oriented values.

5.2.3.3 Pressure Groups and License to Operate

Firms often engage in CR as a response to pressures in order to maintain their “license to operate” (IBLF & SustainAbility, 2001: 11; Post, Preston & Sachs, 2002: 24; Salzmann, Steger & Ionescu-Somers, 2008: 5; Weber, 2008: 249). Researchers also refer to this behaviour as “forced CSR” (Munilla & Miles, 2005: 378) or “*case of the coerced egoist*” (Husted & de Jesus Salazar, 2006). In fact, these firms strive for maximizing profits; they accept that businesses produces negative externalities and that government and legislation has to implement and adapt the regulatory framework in order to respond to these. Such companies invest in CR only to the extent they are coerced to do so by law, by business context, or by other parties (Figure 19), sometimes without serious interest in change (Basu & Palazzo, 2008: 128).

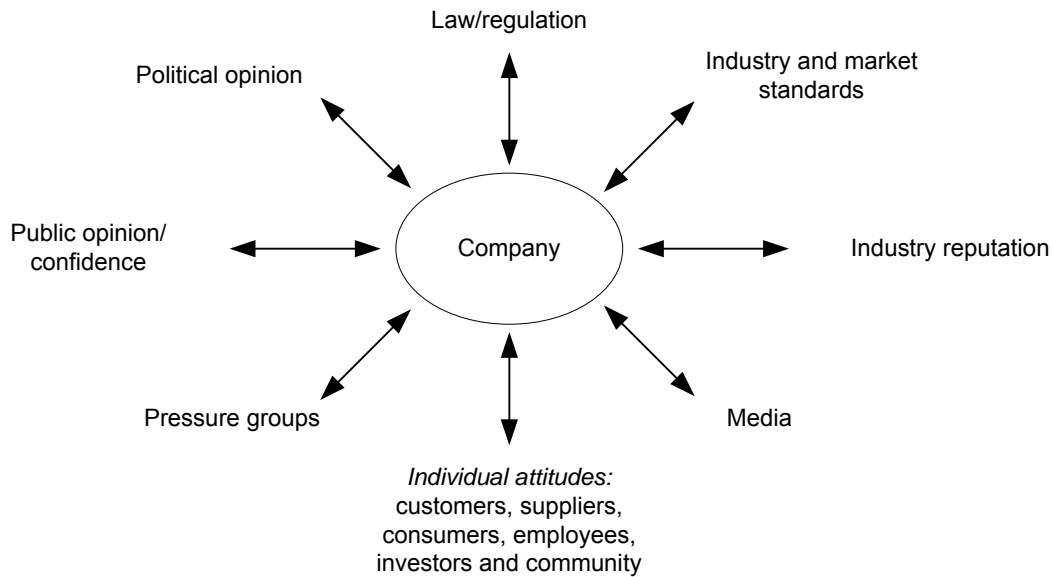


Figure 19 Maintaining the License to Operate

Source: IBLF & SustainAbility (2001: 11)

In recent years, NGOs became very influential pressure groups (Post, Preston & Sachs, 2002: 24; Salzmann, Steger & Ionescu-Somers, 2008: 5; Waddock, Bodwell & Graves, 2002: 136) even to the extent that “a more extreme perspective of CR is forced on a firm by a minority of activist external stakeholders” (Munilla & Miles, 2005: 376). Though forced CR is the least beneficial position (ibid.: 385), a study by Steger (2004) shows that the maintenance of the license to operate is the second most important driver for CR (18%).²⁷

5.2.3.4 Reputation and Risk Management

Reputation is a critical asset especially for large multinational corporations and when brand equity depends on it. It is affected by almost all areas of the firm, including its social and environmental performance:

“Reputation is a critical corporate asset. It is built around intangibles such as trust, reliability, quality, consistency, credibility, relationships and transparency, and tangibles, such as investment in people, diversity and the environment. All of these can be affected either positively or negatively by the company’s triple bottom line performance.” (IBLF & SustainAbility, 2001: 11)

A core dimension of reputation is the building of trust and confidence with stakeholders. This is done increasingly by developing and maintaining good relationships with important stakeholders. Also community involvement impacts corporate image and reputation (Hamil, 1999: 14; Hess, Rogovsky & Dunfee, 2002: 113; Moore, 1995: 173). In other words, through reputation the corporation is maintaining its license to operate.

Risk management has traditionally been limited to technological or financial risks (Haller, 2002: 13). However, also social and environmental risks can have major impact on reputation

²⁷ This study addresses “pressure by customers”, “requirements by laws”, and “requirements by NGOs” in dedicated items which, however, received less responses.

(cf. IBLF & SustainAbility, 2001: 11), for instance, through negative press coverage and consumer boycotts (Epstein & Roy, 2001: 592; Weiser & Zadek, 2000: 61). Empirical findings suggest that CR reduces risk (Orlitzky & Benjamin, 2001: 388; Sywottek, 2004: 67). Also, large companies tend to see CR issues more as risks than as opportunities (Brunner, 2006: 149; Eckelmann, 2006: 176). Against this background, more holistic risk management approaches have been developed. In the so called “St. Galler approach”, scholars developed already in the 1980s a concept of “integrated risk management” which, in addition to financial risks, also includes social and environmental risks (Haller, 2002; cf. Allenspach, 2001). Others developed comparable approaches (Bekefi & Epstein, 2008; Epstein, 2008b).

5.2.3.5 Financial Performance

The drivers listed in prior paragraphs propose that CR is a factor of competitive advantage. For example, environmental management can increase eco-efficiency (decrease resource use) and, by that, decrease costs (WBCSD, 2002: 5);²⁸ positive consumer responses to CR efforts can lead to increased sales (Heslin & Ochoa, 2008: 128); community involvement can lead to new business contracts and international expansion (Googins, 2002: 92; LBG, 2004: 18; Hess, Rogovsky & Dunfee, 2002: 113).

However, this link is “pre-economic” (Hansen & Schrader, 2005: 385). As managers prefer a “robust, quantified business case for sustainability over a more elusive one” (Salzmann, 2006: 176), many academic studies investigated the *link between economic and CR performance* (e.g., Barnett & Salomon, 2006; Mackey & Barney, 2007; Orlitzky & Benjamin, 2001; Schaltegger & Wagner, 2001; Waddock & Graves, 1997) and several systematic reviews of empirical studies exist (e.g., Griffin & Mahon, 1997; Margolis & Walsh, 2003: 247ff; Roman, Hayibor & Agle, 1999; Salzmann, Ionescu-Somers & Steger, 2005). The reviews result in ambiguous findings: Some studies show a negative link, some a positive link, and still others propagate a neutral link. Salzmann (2005) stresses two points: First, the link is “complex and contingent on situational, company-, and plant-specific factors”. Second, the question about the *causality* of the link remains unresolved: It is unclear whether CR leads to good financial performance or, vice versa, good financial performance leads to more CR — as promoted by “slack resources theory” (Waddock & Graves, 1997: 306). Others speculate that both directions hold through a virtuous circle (*ibid.*: 314) or that at least some degree of CR is linked to positive economic results (Mackey & Barney, 2007) described by a curvilinear (Barnett & Salomon, 2006) or inverted U-shape relation (Marcus & Fremeth, 2009: 24; Wagner & Schaltegger, 2003: 9). The inverted U-shape relation expresses that investments into CR performance pay off economically only to a certain point, beyond which additional investments lead to reduced economic performance (Figure 20).²⁹

²⁸ The WBCSD coined the term “eco-efficiency” in 1992 aiming at “progressively reducing ecological impacts and resource intensity throughout the life cycle [of goods and services]” and thereby “de-linking goods and services from the use of nature” (WBCSD, 2002: 5).

²⁹ Lately, scholars developed a new model which is used to investigate why “sometimes firms should invest in socially responsible activities, even if those activities reduce the present value of a firm’s cash flows.” (Mackey & Barney, 2007: 833).

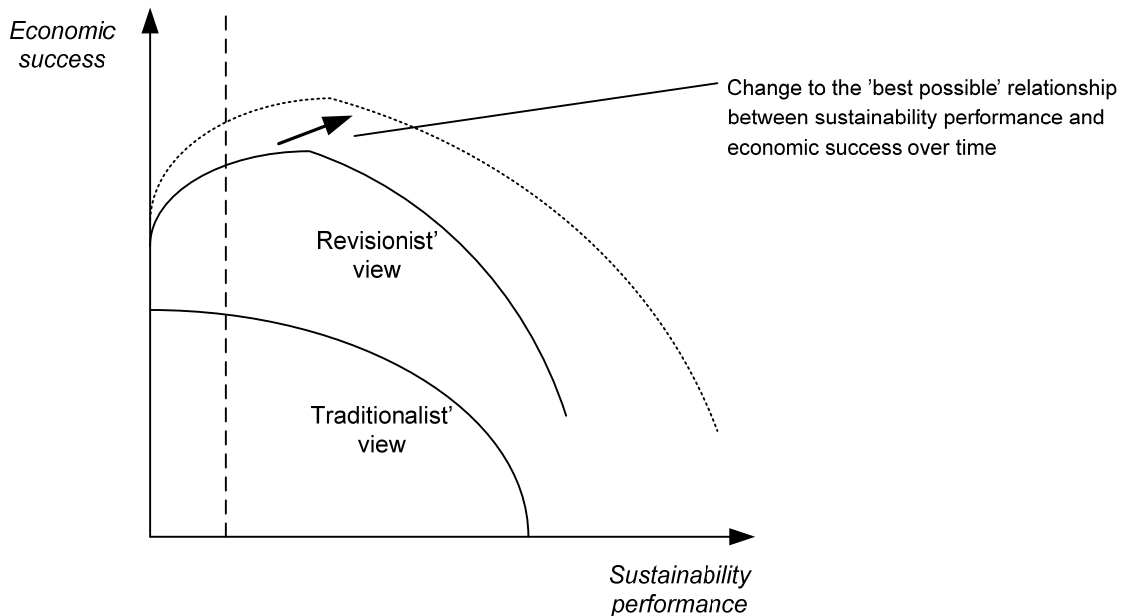


Figure 20 Relationship Between Sustainability Performance and Economic Success

Source: Wagner & Schaltegger (2003: 9)

Overall, empirical results give enough evidence that CR potentially has some effect on business success or, at least, that it has no negative effect (Mauritz & Wilhelm, 2005: 23; Roman, Hayibor & Agle, 1999: 121). Even though some of the results remain ambiguous, this should not be overestimated because it is not “a life or death matter” (Carroll, 2000: 474; cf. Marcus & Fremeth, 2009: 24):

“Should CSP [corporate social performance] measurements be linked to corporate profitability measures? I think it is a desirable goal to search for statistical and experiential linkages between CSP and corporate profitability measures or other bottom-line indicators. It would certainly strengthen our field if we could document bottom-line impacts of CSP initiatives. However, I do not think this is a life or death matter for our field.” (Carroll, 2000: 474)

Some even see the research on this link as “misguiding” (Husted & de Jesus Salazar, 2006: 88; Rowley & Berman, 2000: 415). Lee (2008: 63), for instance, argues that “firm performance” is a vague construct which itself develops away from “single-minded” financial metrics to a broader construct that also includes social dimensions like, for example, quality, customer satisfaction, and research and development (R&D) productivity.

5.2.3.6 Capital Markets

Today, capital markets show more and more interest in the social responsibilities of organisations and their products and services (Heslin & Ochoa, 2008: 130). This movement, generally referred to as *social responsible investments (SRI)*, covers many particular types of investment including sustainability investments, green investments, and ethical investments (Eurosif, 2006). One facilitator in this process has been the Principles of Responsible Investment (PRI), developed by “leading institutional investors” and overseen by the UN ([2006]). At the one hand, conventional investors expect a link between the degree of firms’

social responsibility and the potential (financial) risks (cf. paragraph 5.2.3.4). On the other hand, alternative investment products are increasingly being offered to respond to the demand of private and corporate investors with sustainability-oriented buying and investment behaviour (e.g., Redington, 2005: 12). In some regions, this demand is further spurred through sustainability-oriented regulations for pension funds (COM, 2001: 22; IBLF & SustainAbility, 2001: 8). Depending on the particular orientation of the financial product (ethical, sustainable, green), portfolio managers apply dedicated criteria in the development of these financial products. For example, *green* investments require an investment portfolio to consist of companies leading in environmental protection and/or in environmental goods and services; *ethical* investments use “ethical exclusion” (Chatterjee & Levine, 2006: 42; Eurosif, 2006: 3) to rule out both industries considered to be “critical” (e.g., nuclear and weapon industry) and individual companies applying ethically questionable practices (e.g., animal testing in the pharmaceuticals industry). Besides SRI, “shareholder activists” may also put CR issues on the agenda of annual meetings (Waddock, Bodwell & Graves, 2002: 133). *Sustainability* investments focus on leading companies with respect to economic, social, and environmental performance.³⁰

Due to missing competencies or resources, financial institutions are not always capable of *assessing companies against these (new) criteria*. Thus, professional service firms, so called *rating agencies*, increasingly take over this screening task (ibid.: 137). The rating results are then provided, on the one hand to financial service firms to guide investment decisions and, on the other hand, to screened firms in order to facilitate a process of continuous improvement and organisational learning.

5.2.4 Critique of the Business Case Perspective

The business case is sometimes regarded as more important than the moral case because this logic does better resonate with business people (Heß, 2007: 2). However, investing only in CR issues which raise profits in the sense of enlightened self-interest is a “no brainer” (Steger, Ionescu-Somers & Salzmann, 2007: 173) and leads to the question if this is anything other than traditional business. Further, the business case is not sufficient for arriving at sustainability (Bieker, 2005: 41,54f,318; Wilson, Lenssen & Hind, 2006: 29). *First*, an economic rationale can only partly solve sustainability challenges because the relation between sustainability performance and economic success is a U-shaped curve (cf. Figure 20 on p. 37). Thus, as Mintzberg already recognised, applying economic rationale to sustainability also leads to limited engagement because “it pays to be good but not too good” (1983: 10).

Second, taking a macro perspective, *rebound effects* (Bieker, 2005: 41; Dyllick & Hockerts, 2002: 137) can make the business case logic useless or even counterproductive. For example, eco-efficiency gains through lower fuel consumption often lead to increased number of rides and, thus, to increased overall fuel consumption. Also, a paradigm of efficiency can lead to

³⁰ In fact, sustainability investments are distinguished into two types: The less strict “best-in-class” approach regards the best companies (in terms of the applied sustainability criteria) in each industry automatically as “sustainable”, regardless of the absolute result (Eurosif, 2006: 3). The more stringent approach has explicit targets a company must reach, regardless of the industry it belongs to.

development and application of high-risk technologies (e.g., genetic engineering) which may conflict with the principles of sustainable development (Paech, 2004: 27, 28).

According to Wilson et al., most researchers recognise the importance of transcending the business case:

“Indeed, we [researchers] all know that the ‘business case’ for corporate responsibility is not sufficient to change traditional management behaviours. Rather many leaders in this area also draw on broader arguments in making the case for a corporate response to long-term issues of social justice and environmental protection.” (2006: 29).

Thus, in concordance with Gioia, I regard both moral and business case as equally important.³¹

“[T]he issue was never whether to choose instrumental [business case] or moral criteria but rather, how to arrive at some workable balance between the two aims.” (1999: 231)

³¹ This is in analogy to “human beings making decisions and act on moral grounds as well as rational economic (i.e., self-interest) grounds” (Wood, 1991a: 697).

6 Organisational Learning for CR

Based on the fact that firms have different philosophies of responsiveness to CR issues (Carroll, 1999: 282), researchers described more detailed stages (also called “strategies”) of CR coming either from CR research (Carroll, 1979: 502; Dunphy, Griffiths & Benn 2003/2007; Epstein, 2008a: 64–66; Gminder et al., 2002; Hart, 1997; Hart & Milstein, 2003; Marrewijk, 2003: 102f; Mirvis & Googins, 2006; Tuzzolino & Armandi, 1981: 25; Zadek, 2004)³² or from business ethics (Logsdon & Yuthas, 1997: 1214; Sridhar & Cumburn, 1993: 732). Each of these frameworks covers a set of three to six stages ranging from denial or compliance towards pro-active and transformative CR approaches. The former stages are about reducing risks and improving internal organisational processes and efficiency; today’s companies mostly remain on this type of stages (Hart & Milstein, 2003: 64). The latter stages expand responsibilities along the entire value chain and also address a company’s products and services. Table 5 on the following page merges the results of the latter authors into a scheme with six stages.

Overall, these frameworks suggest that firms develop from a stage where companies deny extended responsibilities, over strategic stages, towards a transformative stage. Thereby, the *modes of development* differ in the various models. Some authors promote a consecutive order of stages through a learning curve (Mirvis & Googins, 2006: 119; Zadek, 2004: 127). Following the wording of the organisational need hierarchy, one needs-level can only be satisfied after the previous one’s satisfaction (Tuzzolino & Armandi, 1981: 23; also: Carroll, 1991: 41). Against this background, authors argue that firms require a sound economic base before engaging in practices on higher levels (Carroll, 1991; Tuzzolino & Armandi, 1981: 23). Some models acknowledge forward and backward movement (Logsdon & Yuthas, 1997: 1224; Zadek, 2004: 127). Others promote a simultaneous approach of all stages (Carroll, 1999: 289; Hart & Milstein, 2003: 64)³³ or simply acknowledge that firms do not implement all CR issues with the same rigour and pace (Mirvis & Googins, 2006: 119). In the graphical overview (Figure 21 on p.42), this is included accordingly.

³² Maslow’s hierarchy of needs, in its traditional form, consists of the five levels of needs organised in a hierarchical form (pyramid). These are physiological, safety, affiliative, esteem, and self-actualisation needs. Tuzzolino (1981) proposes that these levels of needs apply to organisations as well. He assigns each of these levels a set of activities, tasks, and institutions from the business context. In this way he interprets profitability as the organisational “physiological” need (i.e., profitability needs to be “satisfied” in order to approach any higher-level need). In the last level of organisational self-actualisation, he sees *internal* tasks (e.g., job enrichment, pension plans) and *external* tasks (e.g., pollution abatement). However, the model is based on the older version of the hierarchy of needs. In fact, as Koltko-Rivera (2006) rediscovered, Maslow extended the hierarchy in his later work (Maslow, 1993) to include an additional level called “self-transcendence”. In preparation of a journal publication that included the extended need hierarchy, Maslow suddenly died (Koltko-Rivera, 2006: 308f); his latest work (Maslow 1993) was then published by his descendents as a book publication. The level of self-transcendence describes a state in which “the individual’s own needs are put aside, to a great extent, in favour of service to others” (Koltko-Rivera, 2006: 306). Following Tuzzolino’s logic, this additionally level can explain even more morally motivated actions which transcend corporate boundaries, namely corporate philanthropy (though, in absence of the level of self-transcendence, Tuzzolino assigned corporate philanthropy to the stage of self-actualisation) and the engagement in improving industry and business context (legislation, regulation, policies).

³³ Other research by Fowler (2007b: 36) also suggest that sustainability learning is best when such strategies are followed in parallel (Hart & Milstein, 2003: 64).

Stage/strategy	Properties
1. "Denial"	<ul style="list-style-type: none"> • Focus on profitability (Tuzzolino & Armandi, 1981: 25) • Oppose government and green activists (Dunphy, Griffiths & Benn 2003/2007) • Deny practices, outcomes, or responsibilities (Zadek, 2004: 127)
2. "Compliance"	<ul style="list-style-type: none"> • Cost of doing business (ibid.: 127) • Risk management and minimisation (Bieker & Dyllick, 2006: 93) • Prevent pollution (ibid.: 93) • Protect reputation (Mirvis & Googins, 2006: 111)
3. "Efficiency"	<ul style="list-style-type: none"> • Generally regard CR as competitive advantage (Epstein, 2008a: 64–66) • Integrate responsible business practices into core management processes (Zadek, 2004: 127) • Improve productivity and resource efficiency (Bieker & Dyllick, 2006: 93) • Regard stakeholder responsibilities in the entire product life cycle (Hart & Milstein, 2003: 64)
4. "Strategic I"	<ul style="list-style-type: none"> • Integrate CR into core business strategies to gain first-mover advantage (Zadek, 2004: 127) • Deliver value added in sustainability attributes of products and services / product differentiation (Bieker & Dyllick, 2006: 93) • Superior product quality (Epstein, 2008a: 64–66) • Innovate safe, environmentally friendly products (Dunphy, Griffiths & Benn 2003/2007)
5. "Strategic II"	<ul style="list-style-type: none"> • Improve products and services and adapt to changing technologies (Epstein, 2008a: 66) • Develop new capabilities and disruptive technologies to directly address and solve social and environmental problems (Hart & Milstein, 2003: 64)
6. "Transformative"	<ul style="list-style-type: none"> • Proactive approach that makes "social and environmental issues [...] become part of everyone's day-to-day decision-making" (Epstein, 2008a: 66) • Two-way dialogue with stakeholders as a basis for "competitive imagination" (Hart & Milstein, 2003: 64) • Promote broad industry participation (Zadek, 2004: 127) • Develop market conditions to improve opportunities for new sustainability products and service (Bieker & Dyllick, 2006: 93) • Involve in base-of-pyramid markets (Hart & Milstein, 2003: 64) • Promote social progress (Koltko-Rivera, 2006: 310) • Contribute to the quality and continuation of life of every being and entity, now and in the future (Marrewijk, 2003: 103)

Table 5 **Six Stages of CR**

Whilst I acknowledge that, especially in corporate infancy, the economic dimension comes first (Tuzzolino & Armandi, 1981: 23), I generally follow the understanding that stages of development are pursued simultaneously: First, following strategic or even transformative stages can be at the core of economic success. Second, business success should not be based on behaviour that neglects social or environmental responsibilities.

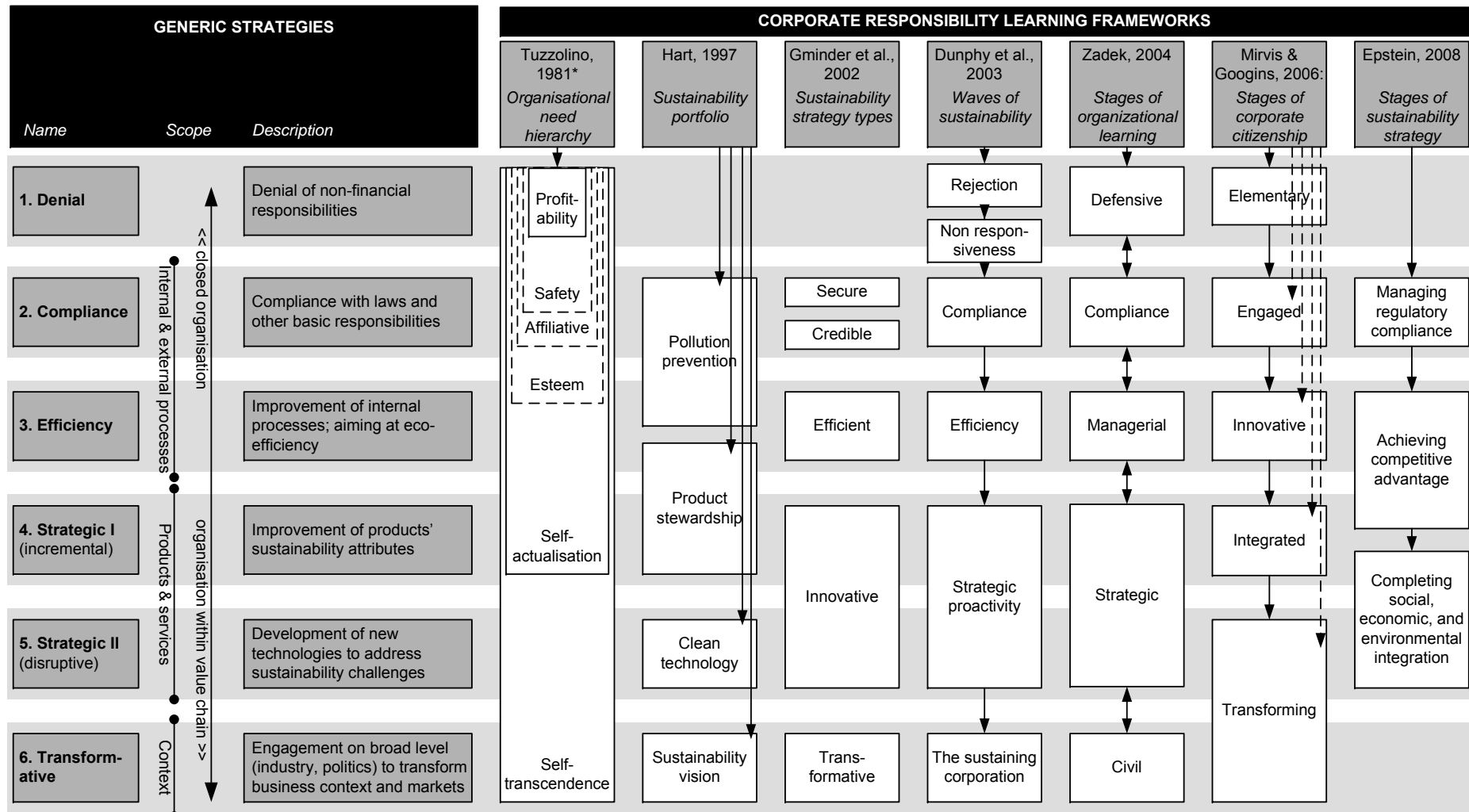


Figure 21 A Meta-Analysis of Organisational Learning for CR

7 Summary of Part I

In this first part of the thesis, I introduced corporate responsibility as a concept that draws from various theories and concepts, including CSR, stakeholder theory, and corporate sustainability. Each of these theories or concepts contributes in unique ways to the overall understanding of CR: First, CSR explains the categories of responsibility (economic, legal, ethical, philanthropic) companies have to deal with. I also introduced CCI as a special subset of CSR, dealing with the betterment of local communities. Second, stakeholder theory further specifies responsibilities according to a broader range of constituencies like, for example, shareholders, employees, business partners, governments, and pressure groups. Third, corporate sustainability and sustainable development stresses the importance of intergenerational and global justice. Corporate sustainability also introduces another way to think about responsibilities, namely in types of capitals. The focus on the main three capitals (economic, social, and economic) also puts environmental concerns into the centre of management.

Companies pursue CR for various reasons. I introduced the moral case and the business case as two major categories of motivations. According to the *moral case*, companies pursue CR for intrinsic reasons because they think it is “the right thing to do”. Sources of this moral motivation are societal values and corporate tradition and culture. Also, founders or other exceptional leaders renowned for their integrity and social engagement are possible roots. According to the *business case*, CR is instrumental to increase competitive advantage and to raise profits. This proposition is based on diverse assumptions, for example, that talented employees prefer to work in responsible companies or that investments in eco-efficiency decrease costs. Whilst, to date, research on the business case seems to multiply rapidly, I argued that the focus on the business case of CR does not suffice. Rather, I stressed the need to follow both moral and business case simultaneously.

Finally, I introduced the perspective of organisational learning on CR. This developmental perspective argues that organisational approaches to CR develop over time according to (ideal) stages. In early stages, organisations deny any responsibilities besides the one of making profits. In later stages, they adapt CR as a strategy. Ultimately, organisations enter a transformative stage, in which they engage in more collaborative action in order to advance the competitive context towards more responsible business practices.

Part II. TOWARDS A RESPONSIBLE LEADERSHIP SYSTEMS FRAMEWORK

In the first part of this work, the introduction to CR, I presented the nature of corporate responsibility, including different possible models and schemes to systematically analyse the diverse economic, social, and environmental responsibilities of a firm; I also presented motivational forces to engage in CR.

This second part of the work directly addresses my research question: How to make CR integral to business organisations. It is structured into four chapters. *Chapter eight* presents different approaches to study the integration of CR in business organisations. I explain the focuses on formal leadership systems and present the overarching generic leadership systems framework as basis for the further work. The generic leadership system framework covers two groups of elements: Core fields and contextual fields. I use this field structure in the reminder of this part: The *chapter nine* reviews CR concerning core fields of the leadership system. *Chapter ten*, reviews literature at the intersection of CR and contextual fields. Finally, *chapter eleven* summarises this part (Figure 22).

PART I. FOUNDATIONS OF CORPORATE RESPONSIBILITY

PART II. TOWARDS A RESPONSIBLE LEADERSHIP SYSTEMS FRAMEWORK

8. Research at the Interface of CR, Leadership, and Organisational Culture

8.1 CR and Leadership

8.2 The Context of Leadership as Enabler for CR

8.3 The Generic Leadership Systems Framework

9. Core Fields of the Responsible Leadership Systems Framework

9.1 Leadership as a Day-to-Day Interactive Process

9.2 Leadership Metrics

9.3 Leadership Deployment

9.4 Selection of Leaders and Leadership Development

10. Contextual Fields of the Responsible Leadership Systems Framework

10.1 Strategy

10.2 Structure

10.3 Culture

11. Summary

PART III. RESPONSIBLE LEADERSHIP SYSTEMS IN MULTINATIONAL CORPORATIONS

PART IV. SUMMARY AND OUTLOOK

Figure 22 Structure of Chapter

8 Research at the Interface of CR, Leadership, and Organisational Culture

This chapter is structured into three sections. First, I clarify the link between CR and leadership research. Second, I focus on leadership context and formal systems as enabler for CR. Third, I present the Generic Leadership Systems framework as overarching framework for the remainder of this work.

8.1 CR and Leadership

I generally acknowledge that *CR is predominantly a leadership challenge* (IBLF & SustainAbility, 2001: 8; Pless, 2007: 438; Quinn & Baltes, 2007: 4) or, at least, that leadership is a key enabler for the integration of CR in business organisations (Basu & Palazzo, 2008: 133; Bieker & Dyllick, 2006: 97; Epstein, 2008a: 49,50; Wynhoven, 2006: 66). This regards CEO commitment (Brunner, 2006: 25; Epstein, 2008a: 60; Waldman, Siegel & Javidan, 2006³⁴), overall top-management commitment (Jones, 1995: 417; Logsdon & Yuthas, 1997: 1219,1224), and executive and non-executive board³⁵ commitment (Brunner, 2006; Economist Intelligence Unit, 2007: 2; IBLF & SustainAbility, 2001: 8) but also executives on a broader level (e.g., Kemp, Stark & Tantram, 2004).

One potential approach to investigate CR integration into organisations would be to study *individual* leaders and how they contribute to that aim. Whilst I do not follow this approach in the present work, it serves as a good starting point on the path towards what I later introduce as “formal systems” and, hence, I briefly elaborate it.

More than 100 years of leadership research produced a sheer multitudinous amount of literature (for a review see, e.g., Lowe & Gardner, 2000: 496, 498; Yukl, 1989). In a recent attempt to structure leadership research, Freeman et al. (2006) conclude that five core themes (in the sense of a “canonical model”) are common amongst most literature. These include (1) the leader with his or her traits and characteristics, (2) the followers, (3) the outcomes of leadership, (4) the processes and skills used by leaders, and (5) the situation or context in which leadership occurs. Traditional leadership theories are mostly *amoral* or “ethical neutral” in nature (ibid.: 161; Treviño, Hartmann & Brown, 2000: 137), this is, they do not see a place for ethics in managerial roles (Thomas, Schermerhorn & Dienhart, 2004: 62; Treviño, Brown & Hartmann, 2003: 11); still, this is not to be mixed up with *immoral* leadership (Treviño, Hartmann & Brown, 2000: 137). In contrast to amoral theories, *moral* leadership theories explicitly think about “the rightness of the processes, leaders, outcomes, followers, and situation” (Freeman et al., 2006: 162). Various research streams of moral leadership have developed, of which the most important are *ethical* leadership, *servant* leadership, and *responsible* leadership. Other scholars advanced traditionally *amoral* leadership concepts towards moral ones, as the concepts of *authentic transformational*

³⁴ Waldman finds that only “strategic CSR” (i.e., CR issues more related to the firm’s competitive strategy) is significantly related to CEO transformational leadership. “Social CSR” does not represent that link. However, this research is based on empirical data dating back to 1992 and, thus, does not reflect the increased importance of CR within the activities of top executives.

³⁵ This requires careful distinction between supervisory boards of and executive boards.

leadership, ethical charismatic leadership, and strategic leadership of ethical behaviour represent. The following Table 6 gives a more detailed picture.

Type	Research school	Major characteristics	Authors
Amoral	Strategic leadership	<ul style="list-style-type: none"> Activities: Making strategic decisions; creating/communicating a vision; developing key competencies; developing policies/ processes; selecting/developing next generation leaders; sustaining an effective organisational culture 	Boal & Hooijberg (2000); Finkelstein & Hambrick (1996); Hosmer (1982); Thomas, Schermerhorn & Dienhart (2004)
	Charismatic leadership	<ul style="list-style-type: none"> Traits: Self-confidence; impression management skills; cognitive abilities; empathy Behaviours: Build appealing vision; making self-sacrifices; acting in unconventional ways 	Conger & Kanungo (1988); House (1977, 1988); Howell & Avolio (1992); Hunt & Conger (1999)
Moral (implicit)	Transforming/transformational leadership	<ul style="list-style-type: none"> Elevate the interests of employees; raise awareness for the vision; motivate to look beyond self-interest Characteristics: Charisma; inspirational motivation; intellectual stimulation; individualised consideration 	Avolio, Waldman & Yammarino (1991); Bass (1990a, 1990b); Burns (1978, 2003); Hunt & Conger (1999); Waldman & Siegel (2005); Waldman, Siegel & Javidan (2006)
Moral (explicit)	<i>Ethical</i> charismatic leadership	<ul style="list-style-type: none"> <i>Charismatic leadership</i> that uses power to serve others; align vision with follower, develops followers; relies on moral standards to satisfy organisational and societal interests 	Howell & Avolio (1992)
	<i>Authentic</i> transformational leadership	<ul style="list-style-type: none"> <i>Transformation leadership</i> emphasising concern for the common good, focus on the best in people Promote ethical policies and processes 	Bass & Steidlmeier (1999)
	Leadership ethics; ethical leadership; moral leadership	<ul style="list-style-type: none"> Traits: Integrity, honesty, trustworthiness Behaviours: Concern for people and society; hold to ethical standards; act as role-model Promote ethical policies; communicate about values and ethics; act as role model through visible action 	Brown & Treviño (2006); Brown, Treviño & Harrison (2005); Ciulla (1995, 2005a, 2005b, 2006); Enderle (1987); Freeman et al. (2006); Jeannot (1989); Kouzes & Posner (1992); Ludwig & Longenecker (1993); Nielsen (1990); Sama & Shoaf (2008); Seidman (2004); Treviño, Brown & Hartmann (2003), Treviño, Hartmann & Brown (2000)
	Strategic leadership of ethical behaviour	<ul style="list-style-type: none"> <i>Strategic leadership</i> that spurs organisational change towards sustainable ethical behaviour 	Thomas, Schermerhorn & Dienhart (2004); also: Boal & Hooijberg (2000: 516); Ireland & Hitt (1999)
	Servant leadership	<ul style="list-style-type: none"> Basic idea: Aims at wellbeing of human beings, collectives, and the natural environment Key characteristics: Listening; empathy; healing; persuasion; (self-) awareness; foresight; conceptualisation; commitment to personal growth; stewardship; focus on community 	Carroll (2005); Greenleaf (1977); Greenleaf, Spears & Covey (2002); Hinterhuber & Cologna (2007); Schnorrenberger (2007)
	Responsible leadership	<ul style="list-style-type: none"> Basic idea: Leader-stakeholder relationship; network context; co-creation Normative roles: Leader as visionary of a sustainable future; servant; steward; and citizen 	Maak (2007); Maak & Pless (2006a, 2006b, 2006c, 2009), Pless & Maak (2005); Sackmann (2005)

Table 6 Research Streams of Moral Leadership

Whilst individual leaders are important players in a concerted approach to integrate CR into business organisations, leadership research too often focuses on the individual (Huff & Möslein, 2004: 252). As the canonical model of leadership research (Freeman et al., 2006) already indicated, leadership is also dependent on the *situation or context* in which it takes place (Sayles, 1999: 10f; Yukl, 1989: 261f) which I refer to as the *context of leadership*. Some researchers argue that the context can even serve as *substitute for leadership* (Kerr & Jermier, 1978: 377; Neuberger, 2002: 442). Substitutes tend to “negate the leader’s ability to either improve or impair subordinate satisfaction and performance” (Kerr & Jermier, 1978: 377) and, hence, make “relationship and/or task-oriented leadership not only impossible but also *unnecessary*” (ibid.: 395). One important group of substitutes covers the *characteristics of the organisation* like, for example, formalisation, rules and procedures, rewards, and organisational structures (ibid.: 378) or, simply, “formal systems” (Tenbrunsel, Smith-Crowe & Umphress, 2003: 288f; Treviño, 1990: 202–208). Against this background, Huff and Möslein recognise that, especially in large-scale enterprises, “the ‘art of leadership’ is most often subject to relatively rigid management processes [and] takes place in an institutional context” (Huff & Möslein, 2004: 254) which they also refer to as “managing leaders” (ibid.: 252). Researchers stress the need to focus more strongly on the context itself, the process of how leaders establish this context, and the interactions between various elements of it (Kerr & Jermier, 1997: 99; Lowe & Gardner, 2000: 496, 498).

8.2 Leadership Context as Enabler for CR

In this work, I focus on the leadership context and, more specific, on formal systems. The research focus, thus, transcends traditional leadership research (or better, “leader research”) and brings two other research fields to mind which deal, amongst others, with formal systems (I will make reference to the subsequent Figure 23 and the six areas I.a – III.b therein):

- *Organisational culture and change*. Scholars in this field are interested in the *context of leadership* (Treviño, Butterfield & McCabe, 1998). These scholars realise that individual leaders are limited in their influencing power due to the context in which they operate and are, thus, also interested in the more organisational-oriented leadership represented by organisational culture (III.a). Major research streams with a *moral* orientation are ethical climate, ethical culture (ibid.), ethical infrastructure (Tenbrunsel, Smith-Crowe & Umphress, 2003),³⁶ responsible leadership and governance (Doh & Stumpf, 2005), and organisational change for CR (Doppelt, 2003; Dunphy, Griffiths & Benn 2003/2007), which are all depicted in area III.b.
- *Strategic management approaches*. Research of the field of strategic management roots in strategic planning, implementation, and evaluation (Hitt, Ireland & Hoskisson, 2007; Welge & Al-Laham 1992/2003) and in related concepts like performance management (Epstein, 2006) and quality management (I.a). Scholars taking a *moral* perspective in this area, regard the implementation of CR as a management task in the sense of introducing the right policies, processes, and structures (Strand, 1983: 94; Wood, 1991a: 709), often

³⁶ Other researchers also introduced the term “ethical infrastructure” with a slightly different meaning (e.g., Kakabadse, Korac-Kakabadse & Kouzmin, 2003: 489).

following a strategic planning process (Brunner, 2006; Eckelmann, 2006; Schmitt, 2005) or, like in the case of total responsibility management (Waddock, Bodwell & Graves, 2002), a continuous improvement paradigm. Other models root in performance management like the corporate sustainability model (Epstein & Roy, 2001) and corporate social performance (Carroll, 1979; Wood, 1991a).³⁷

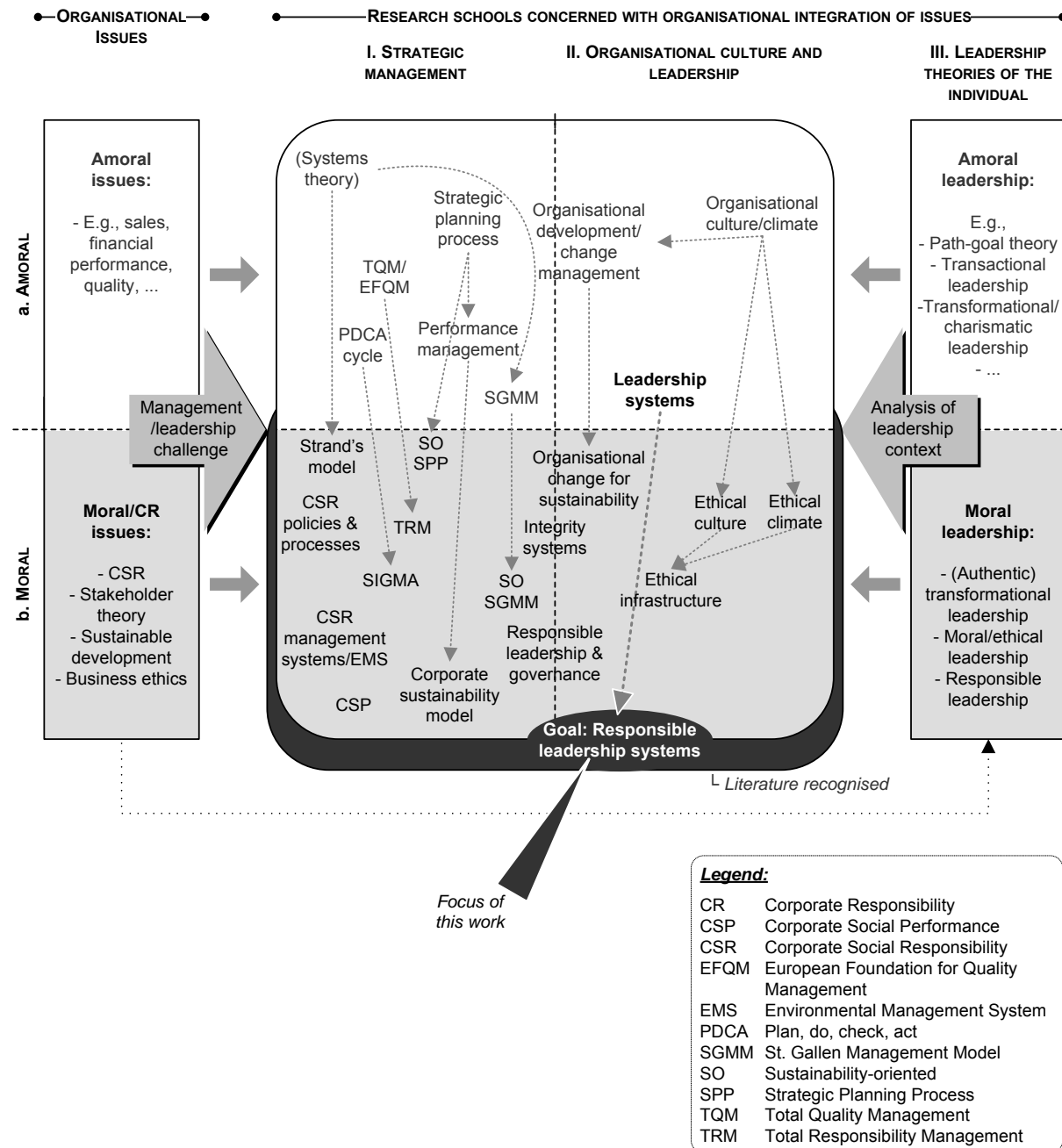


Figure 23 Research at the Interface of CR, Organisational Culture and Leadership, and Strategic Management

³⁷ Jonker’s (2006) handbook “Management models for corporate social responsibility” presents about 40 management models for CR. Of course not all of them inherit the necessary coverage and/or detail. However, seven of these models are regarded to be “generic models for the business context”. As of constraints of space, not all models could be included in my presentation.

The above figure gives a graphical overview of the approaches to study the integration of CR in organisations, including the related research streams, theories, and models as well as their interdependencies. It distinguishes between amoral and moral theories, on the one hand, and between approaches of strategic management and organisational culture, on the other (in order to clearly distinguish the formerly introduced individual leader research from the current focus, these theories are also included in the figure). As the figure already indicates, the present work roots in the second approach (organisational culture and leadership). The following Table 7 gives a more detailed comparison of the various research streams, theories, and concepts.

Type	Source of model	Model name	Empirical studies	Roots	Coverage	Leadership	Discussion
II.a	Huff & Möslein (2004); Reichwald, Siebert & Möslein (2005)	<i>Leadership systems</i>	Huff & Möslein (2004); Möslein, (2005); Reichwald, Siebert & Möslein (2005)	Human resource development; organisational culture	Policies; measurement; rewards; leadership development; strategy, structure, & culture	Overarching paradigm	Very detailed framework focusing on a wide range of leadership instruments; CR only implicit addressed via values
II.b	Doh & Stumpf (2005)	Responsible leadership & governance	-	Business ethics; leadership; CSR; board governance	CSR; governance; values-based leadership; ethical decision-making; stakeholder relationships	Integral part; enabler	New, untested normative model; Governance aspect remains unclear
II.b	Treviño (1990)	Ethical culture	Treviño (1990)	Organisational culture; ethics	Formal & informal systems	Critical to approach	Very detailed
II.b	Tenbrunsel, Smith-Crowe & Umphress (2003)	Ethical infrastructure	Partial aspects only: E.g., Tenbrunsel & Messick (1999)	Ethical culture/climate	Formal systems; informal systems; ethical climate	Considered a formal element	Well defined model including relationships of various elements; focusing on ethical aspects
II.b	Doppelt (2003); Dunphy, Griffiths & Benn (2003/2007)	Organisational change for sustainability	unknown	Organisational development; change management	Vision; measurement; rewards; training; organisational structures; transition teams	Key; Also bottom-up leadership	Rather practitioner-oriented
I.b	Bea & Haas (2005); Mintzberg, Ahlstrand & Lampel (1998); Welge & Al-Laham (1992/2003)	Strategic management process (planning & implementation)	Brunner (2006); Eckelmann (2006); Schmitt (2005)	Strategic planning; business case for sustainability	Strategic planning process (vision, mission & values, goals, formulated strategies)	Top-management is process owner	Pragmatic approach not backed by international literature
I.b	Epstein (2008a); Epstein & Roy (2001, 2003b)	Corporate sustainability model	-	Own research; performance measurement	Inputs, processes, outputs, and outcomes	Key enabler	Decent model derived from deep insight in corporate practice. Strong focus
I.b	Knight, 2006; SIGMA ([2003])	SIGMA management model	Knight (2006); Mini cases: E.g., SIGMA (2003c)	Sustainability; Integrated research project	Leadership & vision;; planning; implementation (formal systems);	Key enabler	Practitioner-oriented model for change management implementation
I.b	Bieker (2005); Bieker & Dyllick (2006); Rüegg-Stürm (2005)	(Sustainability-oriented) New St. Gallen Management Model	Bieker (2005)	New St. Gallen Management Model; systems theory; sustainability	All aspects of a firm embedded in stakeholder environment, natural environment and society	Integral part	Encompasses an overall theory of the firm; very broad; cultural sustainability approach based on focus on elements of overall model
I.b	Waddock (2002/2006: 209ff); Waddock et al. (2002)	Total responsibility management (TRM)	-	Total Quality Management (TQM); CSR	Vision; strategy; HR; management systems; measurement; reporting	Enabler	Well-defined framework
I.b	Strand (1983)	Systems model of organisational social responsibility	<i>unknown</i>	Systems theory; CSR	Social/cultural/legal environment; formal systems,	Enabler (weak)	Very broad approach covering the firm embedded in its environment
I.b	Carroll (1979; Wartick & Cochran (1985); Wood (1991a: 694)	Corporate social performance (CSP)	Salzmann (2006); Salzmann, Steger & Ionescu-Somers (2008)	CSR	Responsibilities; monitoring processes; policies and processes, performance management	Rather implicit	Very theoretic model disconnected from practice. Studies with CSP label seldom follow original model; model increasingly criticised

Table 7 Research Concepts for CR with a Focus on Formal Systems

The table above shows that there are considerable differences between the *context of leadership* approach (II) and the *management* approach (I) to CR. Whereas the streams within the leadership context approach consider leadership as the overall concept, the management approach considers leadership, at best, as an enabler. As already indicated, I focus this work on the leadership context approach. However, I do not follow either of the “established” moral theories for the following reasons:

- I regard the streams rooted in *ethics* like *ethical culture* (Treviño, 1990) and *ethical infrastructure* (Tenbrunsel, Smith-Crowe & Umphress, 2003) as too narrow for the understanding of the much broader concept of CR.
- The concept of *responsible leadership and governance* (Doh & Stumpf, 2005) is rather a research stream than a conceptual framework. It is very recently introduced, remains vague in terms of operationalisation, and — as of its recentness — also misses empirical underpinning.
- The models of organisational change for sustainability (Doppelt, 2003; Dunphy, Griffiths & Benn 2003/2007) are too practitioner-oriented for academic research.

Thus, I prefer rooting this work in well established theory coming from more established research of leadership context (II.a). Adopting the *generic leadership systems framework* presented in the following section, I develop a new preliminary theory (Yin 1984/2003: 28) which I refer to as *responsible leadership systems (RLS)*.

8.3 The Generic Leadership Systems Framework

The *generic leadership systems (GLS) framework* roots in more than ten years of research in leadership systems (Huff & Möslein, 2004; Möslein, 2005; Möslein, Neyer & Reichwald, 2006a, 2006b; Reichwald & Möslein, 2005, 2007, 2008; Reichwald, Siebert & Möslein, 2004, 2005; Siebert, 2006).³⁸ At the heart of this research is Reichwald et al.’s “Leadership Excellence” study, a qualitative exploratory study in more than 40 MNCs in Europe and in the US³⁹. Whereas the term leadership systems is used by Lowe and Gardner (2000: 495f) to address formal leadership development processes, others (Huff & Möslein, 2004; Möslein, 2005; Reichwald, Siebert & Möslein, 2005; Siebert, 2006) use the term more broadly to cover “instruments, concepts, and strategies to develop leadership capital” (Huff & Möslein, 2004: 255). Figure 50 shows the GLS framework.

³⁸ A good overview of research and publications is given in Möslein (2005).

³⁹ The empirical part of the study included two steps: First, an initial nucleus of seven companies and, second, the main study with 40 MNCs (Möslein, 2005: 127).

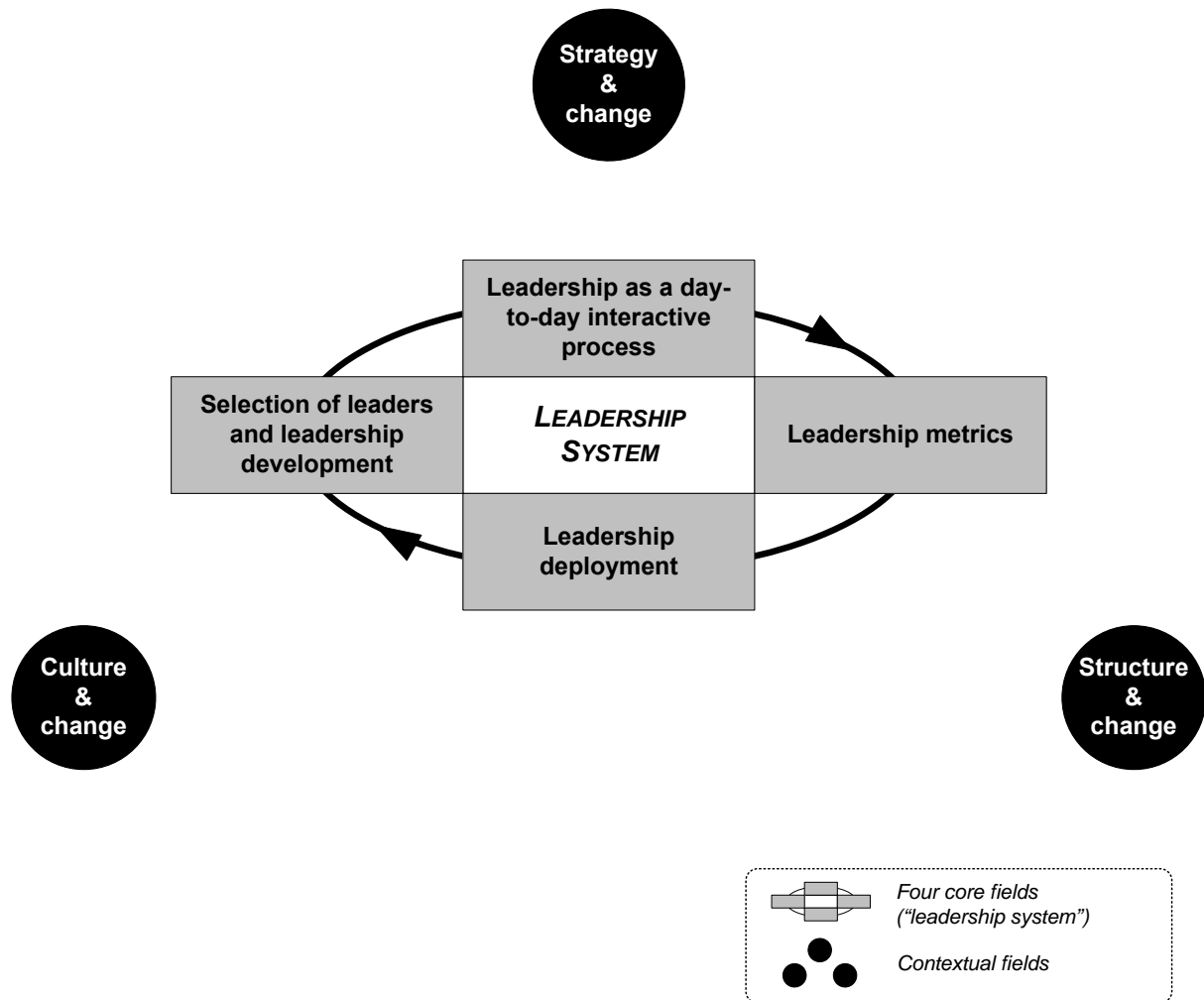


Figure 24 Generic Leadership System in the Context of Strategy, Culture, and Structure

Source: Huff & Möslein (2004) and Möslein (2005: 155)

The GLS framework includes two major components: First, the leadership system (in a narrower sense) consisting of four *core* fields and, second, the three *contextual* fields. The core fields (Huff & Möslein, 2004: 256; Reichwald, Siebert & Möslein, 2005: 187) focus on leadership instruments in the following areas of leadership:

- *Leadership as a day-to-day*⁴⁰ *interactive process*. How can tools support leaders in their everyday tasks?
- *Leadership metrics*. How is leadership performance evaluated and measured?
- *Leadership deployment*. How are evaluation results used to more broadly develop leadership capacity in the organisation?

⁴⁰ “Day-to-day” refers to tasks “common” to leaders. This does not include the frequency in which these are applied. Where some are used on a daily basis, others are used less frequently. For example, target setting and staff dialogues are leadership instruments used only once, or few times per year (Reichwald, Siebert & Möslein, 2005: 188).

- *Selection of leaders and leadership development.* How can leadership talents be identified and promoted to excellence?

Rooted in models from the domain of leadership development (e.g., Daft, 2002: 171; Hilb, 2001: 19; Mavis, 1994: 43) the arrows in the above figure indicate that the four fields are designed as a *feedback process* in clockwise direction (Möslein, 2005: 154). However, Möslein (2005: 144) emphasises that the *design of the model is conceptual*: The development, maintenance, and use of instruments may follow entirely different ways and may be anchored in different organisational units. This is not surprising, considering that the analysed instruments and tools stem from very diverse functions (Table 8), such as personnel management, controlling, corporate communication, organisation, and strategic management (Huff & Möslein, 2004: 255; Reichwald, Siebert & Möslein, 2004: 52).

Personnel management	Controlling	Corporate communication	Organisation	Strategic management
<ul style="list-style-type: none"> ▪ Leadership-assessment centres ▪ Executive surveys and performance reviews ▪ Management training 	<ul style="list-style-type: none"> ▪ Shareholder value management ▪ Economic value added (EVA) ▪ Balanced scorecard (BSC) 	<ul style="list-style-type: none"> ▪ Vision and mission statements ▪ Corporate culture and value management ▪ Open door policies ▪ Multimedia and event communication ▪ External marketing 	<ul style="list-style-type: none"> ▪ Differentiated leadership hierarchies ▪ Profit centre structures ▪ Trust-based organisation structures 	<ul style="list-style-type: none"> ▪ Strategic competence planning ▪ Strengths-weaknesses-portfolios ▪ Business impact initiatives ▪ Integrated business planning processes

Table 8 Tools, Instruments, and Strategies from Different Functions

Source: Based on Huff & Möslein (2004: 255); Reichwald, Siebert & Möslein (2004: 52)

The core fields do not exist independently. Rather, they are linked to a *trilogy of contextual factors*: Strategy and change; structure and change; and culture and change (Möslein, 2005; Reichwald, Siebert & Möslein, 2005: 185; Siebert, 2006: 289; also: Bieker & Dyllick, 2006: 91; von Rosenstiel & Comelli, 2003: 136; Rüeegg-Stürm, 2005: 26f; Sackmann, 2002: 66⁴¹). Both, core fields and contextual fields *stay in a reciprocal relationship*. Strategy, structure, and culture all influence the arrangement of leadership instruments and, thus, also constrain behaviour of individual leaders. At the same time, individual leaders are the ones who establish and influence the context through their values (Möslein, 2005: 147; Rüeegg-Stürm, 2005: 64; Siebert, 2006: 289).

In the following chapters, I use the GLS framework to review literature of CR and formal (leadership) systems. Through this, I develop an understanding for what constitutes a leadership system for CR, which I then call a '*responsible leadership systems*' (RLS) framework. First, I review the core fields (chapter 9) and, subsequently, the contextual fields (chapter 10). I will use a slightly modified terminology in which the term *leadership system* refers to core *and* contextual fields (rather than only to core fields).

⁴¹ Siebert (2006: 290) gives a good overview on literature recognising the trilogy of strategy, structure, and culture. In the New St. Gallen Management Model, Rüeegg-Stürm (2005: 26f) uses the English term "structuring forces"; in German, the model uses the term "Ordnungsmomente" (Bieker & Dyllick, 2006: 91).

9 Core Fields of the RLS Framework

In this chapter, I review literature in CR and formal systems with regard to the *core* fields of the generic leadership systems framework (Reichwald, Siebert & Möslein, 2005). The four core fields of instruments are (shortcuts in brackets): Leadership as a day-to-day interactive process (“interactive process”); leadership metrics (“metrics”); leadership deployment (“deployment”); and selection of leaders and leadership development (“selection and development”). All four fields are elaborated in the following sections.

9.1 Leadership as a Day-to-Day Interactive Process

Research of the *work activity school* (Mintzberg, 1973; for a review see: Matthaei, 2008) analyses the work of executives and stresses that *communication is at the core of leadership* (Goecke, 1997; Huff & Möslein, 2004: 265; Mintzberg, 1973; Reichwald, Goecke & Möslein, 1996) and is, thus, a “day-to-day” activity. Executives spend about 90 percent of their working time on communication (Pribilla, Reichwald & Goecke, 1996; Reichwald, Goecke & Möslein, 1996) of which about 70 percent is face-to-face communication (Goecke, 1997: 144). Even though new media (e.g., e-mail; video conferences) plays a role (Pribilla, Reichwald & Goecke, 1996; Reichwald & Goecke, 1995; Reichwald, Goecke & Möslein, 1996), top executives have still preferred face-to-face communication (Huff & Möslein, 2004: 265; Matthaei, 2008: 33; Reichwald & Goecke, 1995; Reichwald, Goecke & Möslein, 1996), a situation Reichwald et al. (1996) coined the “Telekommunikationsparadoxon”.

Embracing that the predominant activity of a leader is communication, *instruments and tools* should support leadership by *institutionalising communication* (Reichwald & Möslein, 2005: 22; Siebert, 2006: 219); especially important are instruments “supporting the communication and interaction of leaders with their staff” (Reichwald, Siebert & Möslein, 2005: 188). The generic leadership framework regards target setting and staff dialogue; corporate principles and values; codes of leadership; balanced scorecards; coaching; and intranet support as main instruments in the field of day-to-day interactive process (Möslein, 2005: 182).

In order to nurture CR in the firm, corporate leaders are required to understand the extent and meaning of corporate responsibilities and to communicate these with subordinates and other stakeholders. In large MNCs, this task is difficult, if not impossible, without support by instruments and tools. Possible instruments in this regard are, for example, corporate values, business codes, principles and guidelines, and communication means like reports, websites, and speeches (WEF & IBLF, 2003: 22). The following subsections present these more in detail.

9.1.1 Values Statements

9.1.1.1 The Role of Value Statements

The significance of values in business has long been recognised. Values pervade virtually every aspect in corporations. Some decades ago, Cohn perhaps describes this best:

Values profoundly affect every business in all its parts, and the good manager works carefully to establish the right values. Of course, no company is without values; they are always present, affecting the operation of every enterprise. There are no vacuums in industrial society. It is

impossible to pick up a stockholder's report, company manual or newsletter realizing this. It is, in fact, impossible to take a good look inside executive offices without sensing the resident values. They are expressed in a thousand and one ways; among others, in the decor, furnishing, office layout and executive dress and manner. (Cohn, 1969: 21)

Asked about how companies can behave socially responsible, a CEO of an American household products company states that “it all starts with values” (Hollender, 2004: 115; also: Waddock, Bodwell & Graves, 2002: 139). In concordance, Wirtenberg et al.’s (2007: 13) empirical results reveal that “deeply ingrained values” were key on the path of the most successful companies. Other empirical results acknowledge this (Redington, 2005: 46; Steger, 2004: 57).

Values are formalised in *value statements* (Urbany, 2005: 169), also termed “corporate credos” (Treviño, Hartmann & Brown, 2000: 141) or, in the German-speaking world, “Leitbilder” (Dietzfelbinger, 2004c)⁴². Values statements best consist of a small set of three to six values (Begley & Boyd, 2000: 10). They are relevant for both internal and external stakeholders. Internal stakeholders are addressed for identity building, motivation, and guiding day-to-day decisions; external stakeholders for image reasons (BMU, econsense & CSM, 2007: 135; Urbany, 2005: 179). *Communication of values* statements is achieved through the following instruments (most important first): Employee handbooks, company brochures, staff meetings, annual meetings, websites, wall posters, and employee applications (AMA, 2002). Values can also be integrated into vision and mission, code of conducts (Begley & Boyd, 2000: 10).

9.1.1.2 The Content of Values

Regarding the *content of values*, there are two groups: The first group of values implicitly addresses CR (e.g., customer satisfaction), the second group more explicitly addresses CR. With regard to the latter social and environmental values, survey results reveal that, for example, one third of large companies explicitly address “social betterment of society” (Austin, 2006: 204). Ethical and moral values are integrity, fairness, honesty, and responsibility (Wieland, 2004: 24). “CSR values” include social, environmental, and ethical values (Loew & Braun, 2006: 34). The following Figure 25 shows stated values most common in American companies.

Most listed values relate to CR in a broader sense (e.g., “customer satisfaction” is part of the responsibility towards the stakeholder “customer”). In addition, the list shows that companies also address CR more directly with values like “ethics/integrity”, “accountability”, “community service”, and “social responsibility”.

⁴² In contrast to the limited set of core values part of the values statement, in Germany, so called “Leitbilder” cover vision, mission, and value statements in a single document (BMU, econsense & CSM, 2007: 135).

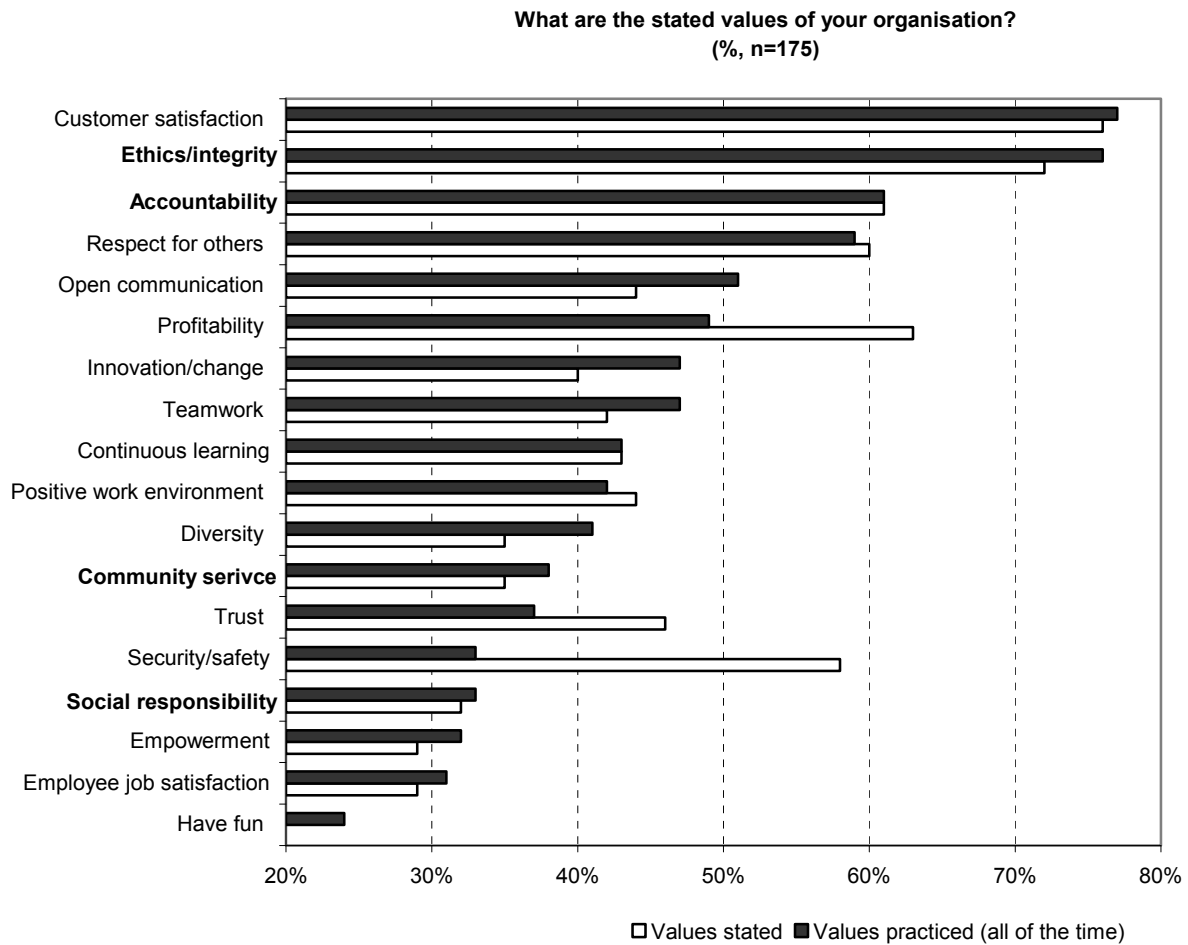


Figure 25 Stated Values in American Corporations (Rather Explicit CR Values Bold)

Source: AMA (2002)⁴³

The significance of formally stated values goes beyond the mere existence of the actual document. Values are sometimes *linked to other leadership instruments* like goal setting (9.1.4.2), performance evaluation (9.2.3), career advancement (9.3.2.4) and compliance management (9.3.3). Hence, if CR is an integral part of formal values statements, the likelihood for integration within other leadership instruments increases. In this way, the above differentiation between rather explicit “CR values” and more behavioural values like “respect for others” matters. For example, “respecting others” does not state anything about how to deal with environmental aspects in decision-making — broader CR values do.

Values statements are *limited* in different ways. They do not “create a practical path of action” (Paine, 2006: 56). Even though organisational members broadly evaluate values statements positively, such *statements also lead to cynical responses* when employees perceive corporate practice incongruent with stated values (Urbany, 2005: 179). To face this, Urbany finds that the development of value statements requires broad employee involvement at all levels of the

⁴³ For comparable results as well as a regional analysis see (Kelly et al., 2005).

organisation, communication and training, and proactive reinforcement. In fact, values are not being *defined*, but the development process should rather *make explicit* “the company’s implicit credo” (Begley & Boyd, 2000: 9). Another challenge is “the alignment of corporate values with personal, interpersonal and societal values” (Maak & Pless, 2006c: 38) and, when considering “global responsibility”, with the international context (Antal & Sobczak, 2004; Doh & Stumpf, 2005: 9–11). This deals with how to raise awareness, reflect on, and balance in between diverse and often conflicting values. Consensus exists in the sense that it is not practicable to take an ego-perspective on the values debate, that is, to regard values of the own group, country, or region as universal and to try to impose these on others. In other words, values are relative to culture (cf. Doh & Stumpf, 2005: 10; Graafland, Eijffinger & Smid, 2004: 140). On the other hand, this *ethical relativism* is strongly dissented because “it would require a ban on all moral reasoning” (Doh & Stumpf, 2005: 10). Rather, various authors argue that, ultimately, a set of universal values, “hypernorms” (Donaldson & Dunfee, 1999) or “end-values” (Burns, 1978: 426) exist transcending individual cultural differences (e.g., liberty, justice, equality). The different values circles are depicted in Figure 26.

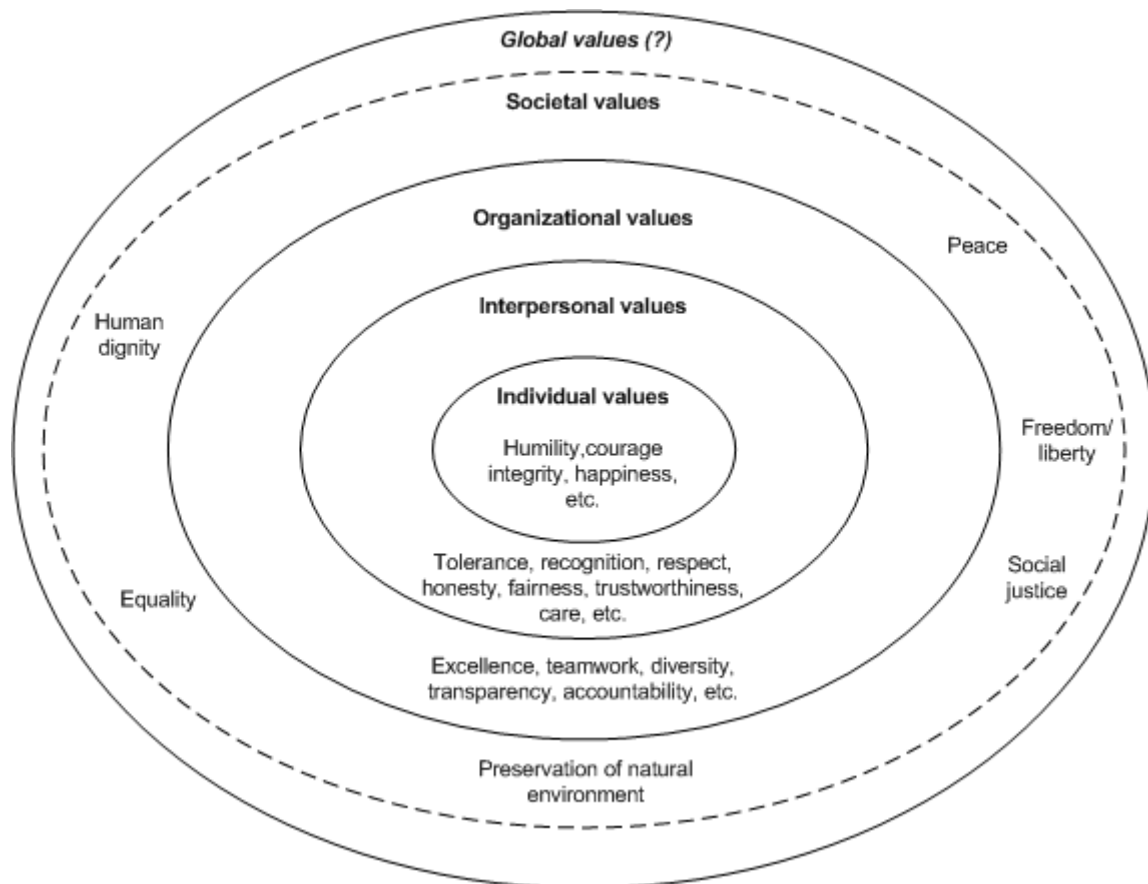


Figure 26 Values Circles and Values Challenge

Source: Based on Maak & Pless (2006c: 38)⁴⁴

⁴⁴ Following the discussion about universal values, I added an additional layer “global values” to the original model. The dotted line suggests that some of the societal values may be global indeed.

9.1.2 Business Codes

This subsection introduces the instrument of business codes. These codes exist on the *business level* in order to guide employee conduct. At the same time, business codes often derive content from codes on *the meso and macro level*. The following two paragraphs elaborate on these different levels.

9.1.2.1 Business Level

The term “business code” is an umbrella term for code of ethics, code of conduct, business principles, corporate ethics statement, and code of practice (Kaptein & Schwartz, 2008: 112).⁴⁵ Business codes are an important component in the corporate ethical infrastructure (Maak & Ulrich, 2007: 247; Ulrich 1997/2001). They are regarded as “private law” of the firm because they contain “promises voluntarily made” (Sethi, 2002: 28). Motivations to establish codes include altruism; increased reputation; decrease in legal fines; influence on regulators; organisational efficiency; and improved work climate (Kaptein & Schwartz, 2008: 111). Usually, business codes target managerial and employee conduct at the same time. Still, some companies address executives with dedicated “*codes of leadership*” (Bihl, Thanner & Wächter, 1997).⁴⁶ A formal definition is given by Kaptein and Schwarz:

“A business code is a distinct and formal document containing a set of prescriptions developed by and for a company to guide present and future behavior on multiple issues of at least its managers and employees toward one another, the company, external stakeholders and/or society in general.” (Kaptein & Schwartz, 2008: 113)

The *content of business codes*, addressing issues from the domains of general business principles, labour standards, environmental, health, and safety (EHS), and anti-corruption,⁴⁷ often derives from meso or macro codes, as will be explained in paragraph 9.1.2.2. Besides these issues addressed, code content also relates to information concerning *measurement, verification, and reporting* (Sethi, 2002: 29). A large set of empirical studies analysed business codes (Kolk, van Tulder & Welters, 1999; McCabe, Treviño & Butterfield, 1996; Rieth, 2003; Schwartz, 2001; Sethi, 2002; Urbany, 2005; Weaver, Treviño & Cochran, 1999). Kaptein and Schwartz (2008) recently reviewed 30 years of literature on business codes and identified 79 empirical studies on the topic. Overall, they find that more than half of the studies analysed have a positive impact (Figure 27).⁴⁸

⁴⁵ Kaptein and Schwarz (2008), furthermore, name corporate credo and corporate philosophy, which I relate more strongly to values statements.

⁴⁶ Also referred to as “code of leadership” or “leadership code of conduct”.

⁴⁷ Kolk (1999: 155) gives a detailed catalogue of 14 criteria for the analysis of code content.

⁴⁸ As also Kaptein and Schwartz (2008: 114) recognise, some of these studies treat values statements, codes, and further policies as one and the same thing (e.g., Logsdon & Wood, 2005: 59; Weaver, Treviño & Cochran, 1999: 42).

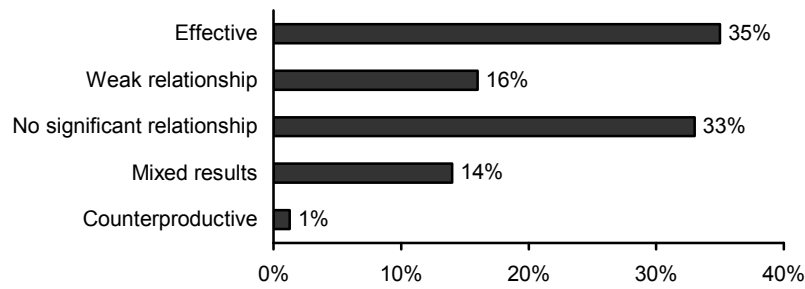


Figure 27 Effectiveness of Business Codes (Meta Study, n=79)

Source: Kaptein and Schwartz (2008: 114)

Code effectiveness is also influenced by its *development process*: “A code is nothing, coding is everything” (Kaptein and Schwartz, 2008: 119). Sethi (2002) demands that all important constituencies are involved in this process in order to create a sense of ownership. Periodically revision is also suggested (Kaptein and Schwartz, 2008: 119). The following Figure 28 presents a more holistic picture for the development and outcomes of business codes.

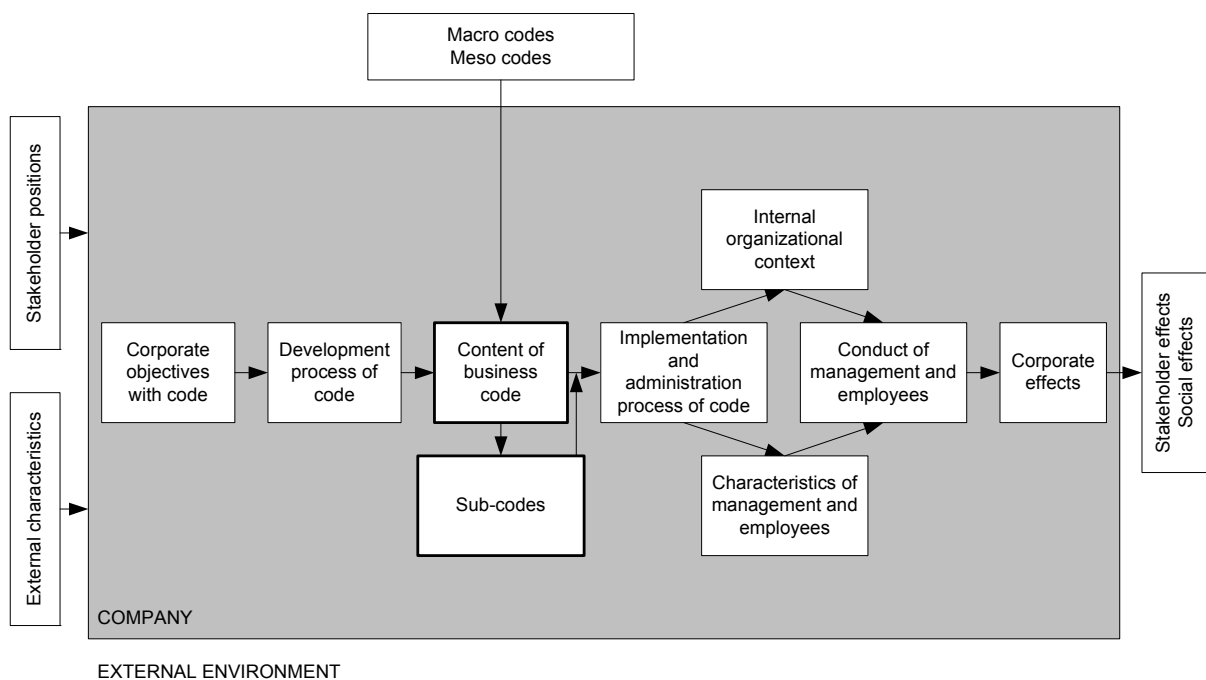


Figure 28 Development and Outcomes of Business Codes

Source: Based on Kaptein & Schwartz (2008: 118)

Business codes are linked to diverse other leadership instruments through the *codes' implementation and administration process*. On the one hand, this addresses how the code is distributed to employees (Kaptein and Schwartz, 2008: 119; Logsdon & Wood, 2005: 63f; Redington, 2005: 48; Schwartz, 2002: 36), especially through communication instruments (cf. 9.1.3) and training (cf. 9.4.2.1). On the other hand, code of conducts have a compliance orientation (Paine, 1994: 111) and, hence, also include mechanisms to *detect non-compliance*

with the code (cf. 9.3.3). These compliance mechanisms are often more important than its content (Kolk, van Tulder & Welters, 1999: 167).

Business codes are subject to diverse *challenges*:

- Business codes need to be translated into day-to-day conduct (Waddock, Bodwell & Graves, 2002: 139). Successful implementation requires all employees, and especially executives, being “very serious and committed” (Treviño, Hartmann & Brown, 2000: 141). However, it remains unclear “how many of these firms actually [...] use their codes of conduct as living documents” (Carroll, 2000: 468).
- Some argue that codes are less effective than laws, provide only superficial guidance, and do not influence behaviour (Kaptein & Schwartz, 2008: 120)
- Indeed, a business codes cannot by itself lead to responsible conduct because it also depends on the further supporting infrastructure like procedures, reward systems, and corporate culture (Sethi, 2002: 23).
- Often internal communication lacks (Logsdon & Wood, 2005: 64), for example. sometimes code implementation is thought to be achieved by informing employees about it via e-mail; in other cases codes remain a plaque on the wall (Kakabadse, Korac-Kakabadse & Kouzmin, 2003: 502; Maak & Ulrich, 2007: 250). Accordingly, managers remain uninformed or do not take codes seriously (Sethi, 2002: 23).
- Ultimately, codes can become a public relation activity that diverts attention from internal implementation towards external communication (Kaptein & Schwartz, 2008: 120; Kuhndt, et al., 2004: 14; Logsdon & Wood, 2005: 59). Accordingly, codes may leave stakeholders more cynical and distrustful (Kaptein & Schwartz, 2008: 120).
- Acknowledging the large scope of codes, Sethi (2002: 29) also recalls that the code “project” needs to be economically viable.

9.1.2.2 Meso and Macro Level

The content of business codes is often influenced by meso and macro level codes (Kaptein & Schwartz, 2008: 118). Generally, literature (ibid.: 112; Kolk, van Tulder & Welters, 1999: 143) suggests three types of actors to develop codes: On the meso level these are business support groups (e.g., industry associations) and on the macro level these are social interest groups (e.g., NGOs), and international organisations (e.g., UN).

According to Kolk, codes from *social interest groups* are relatively new and still gaining traction and are, thus, not further investigated here. In contrast, *codes from international organisations* are more established, as the following Table 9 demonstrates.

Type	Code or initiative
Environmental principles and standards:	<ul style="list-style-type: none"> • CERES (Coalition for Environmentally Responsible Economies) Principles • ISO 14000 and 14001 • Responsible Care Principles
Labour standards and principles:	<ul style="list-style-type: none"> • International Labour Organization's (ILO) Fundamental Principles • ILO Conventions • ILO's Tripartite Declaration of Principles Concerning Multinational Enterprises and Social Policy • Fair Labour Association Guidelines
Human rights standards and principles:	<ul style="list-style-type: none"> • UN Declaration on Human Rights and the Environment • UN International Convention on Economic, Social and Cultural Rights
General business principles and standards and standard-setting bodies:	<ul style="list-style-type: none"> • The UN's Global Compact • OECD Guidelines for Multinational Enterprises • American Apparel Manufacturers Association • Caux Round Table Principles • Clarkson Principles for Stakeholder Management
Anti-corruption conventions:	<ul style="list-style-type: none"> • OECD 1997 Convention on Combating Bribery of Foreign Officials in International Business Transactions • Transparency International Core Principles and Integrity System

Table 9 Codes and Initiatives from International Organisations

Source: Waddock, Bodwell & Graves (2002); also: Epstein (2008a: 75–77); Epstein & Roy (2003a: 17)

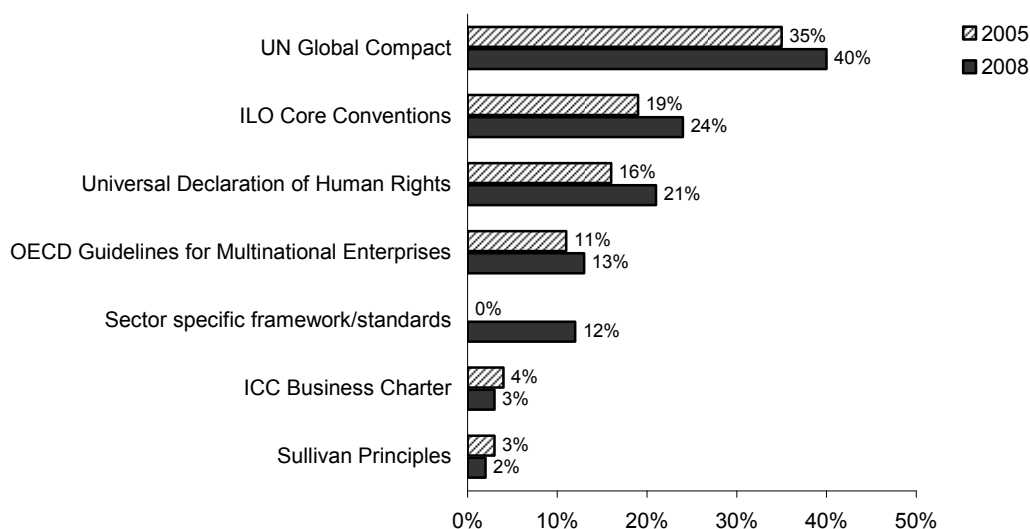


Figure 29 International Frameworks Used by Companies (n=250)

Source: KPMG (2008: 29)

As the Figure 29 above demonstrates, the UN Global Compact (UNGC 2007b) is the code most frequently adopted by large firms; it has also received large attention by researchers (Fussler, Cramer & van der Vegt, Sebastian, 2004; Garriga & Melé, 2004: 61; Matten & Moon, 2008: 412; Mohaupt, Schmitt & Hochfeld, 2005; Waddock, 2006: 4; Waddock,

Bodwell & Graves, 2002: 137; Wynhoven, 2006). Rieth (2003: 381) investigates the practice of German MNCs with respect to the Global Compact and finds that the number of opponents and proponents of global codes equal. According to survey respondents, advantages of global standards include an increased impact of social activities and easier communication of these; decreased effort for implementation at and monitoring of suppliers; and prevention of distorted competition.

Meso and micro level codes are also criticised:

- Though Kolk's (1999: 143) research precedes the popularity of the Global Compact, he states that codes of international organisations have only modest impact.
- Firm representatives see disadvantages in international codes because they lead to a elimination of competition about creative solutions. Further, they are either too weak and generic, or unable to differentiate between diverse local settings (Rieth, 2003: 381).
- Sethi (2002: 25f) denies the usefulness of approaches by business support groups, especially for progressive companies. He criticises that an industry-wide approach "is likely to deter a company that is willing to take the initiative"; "plays into the hands of those companies who are least inclined to undertake substantive action and, thus, can postpone implementation through endless discussions, procrastination, and obfuscation"; "forces industry performance standards to the lowest common denominator" (also: Kolk, van Tulder & Welters, 1999: 171); and "suffers from the 'free-rider' problem". He rather proposes a "*go-it-alone strategy*" because it allows the company to be recognised as the innovator, which drives loyalty, reputation, and increases public trust. In accordance with transformative CR strategies described earlier, he suggests that once established, the "innovator" should then involve in helping other companies in the industry to follow its example in order to build a cluster of proactive companies. Members of such a cluster must commit to highest possible code standards as well as to uniform standards of measurement and monitoring, and they need to assure the top management's long-term commitment.

9.1.3 Communication and Dialogue

Communication of CR-related aspects is key for providing transparency to a larger set of stakeholders. However, purely *unidirectional* communication does not suffice; also, firms are increasingly expected to engage into more *bidirectional* means of communication with stakeholders. Both types of instruments, unidirectional communication and stakeholder dialogues are presented in the subsequent paragraphs.

9.1.3.1 Internal and External Communication

9.1.3.1.1 Overview

Internal and external communication is important to provide information on what CR means for the company (Wilson, Lenssen & Hind, 2006: 32) and, accordingly, to raise understanding and awareness (Quinn & Dalton, 2009: 30f; Steger, 2004: 57; Wade, 2006: 235). This includes communication of vision and mission (Waddock, Bodwell & Graves, 2002: 145), strategies (Brunner, 2006: 164), values (Begley & Boyd, 2000: 12; Treviño, 1990: 223), and

business codes (Kaptein & Schwartz, 2008: 119; Logsdon & Wood, 2005: 63f; Schwartz, 2002: 36). Thereby, under the new challenges of CR and sustainability, communication developed towards “sustainability communication” (Brugger, 2008; Lühmann, 2003; Mast & Fiedler, 2007; Michelsen & Godemann, 2007). This does not require new instruments, rather existing *instruments of communication* can be utilised in a sustainability-oriented way (Brugger, 2008: 39). *Internal communication* of CR is achieved by information systems and services like, for example, intranet (Mesterharm, 2001) as well as through employee magazines and internal working groups (Lühmann, 2003: 55–57). Instruments for *external communication* (public relations) in regard to CR include corporate advertisement, internet, reporting, personal communication (dialogues), and events (ibid.: ch. 5.3). Though, as explained by auto-communication (Morsing, 2006), external communication is at the same time *internal communication*.

In a European study, Brunner identifies intranet, corporate TV, and corporate magazines as most important sustainability communication tools (2003: 34). Other results find that “company newsletters, magazines, [...] intranet and internet, videos, conferences, meetings and workshops” (WEF & IBLF, 2003: 22) are utilised for sustainability communication.⁴⁹

Others also indicate the importance of *speeches* as instruments for CR and values-oriented communication (Hunsdiek & Tams, 2006: 57; Wilson, Lenssen & Hind, 2006: 32). This includes CEO speeches (Waddock, Bodwell & Graves, 2002: 140; WEF & IBLF, 2003: 22) and, more general, speeches by high-levels officers (Sussman, Ricchio & Belohlav, 1983: 187). These *executive speeches* may not necessarily be understood as “formal system” in the sense of the present work. However, speeches by executives are thoroughly planned and pursuit well defined goals and are, thus, also termed “formal speeches” (ibid.: 188):

[...] delivering a [corporate] formal speech must serve more than simple ceremonial functions. The speech situation provides an opportunity for the corporation to formally address an issue deemed important enough to warrant the time and energy of the corporate officer. (ibid.: 188)

Moreover, formal speeches are often transcribed and made available through diverse communication channels like internet, intranet, or journals. Accordingly, “corporate executives ... recognize that any speech given to a specific audience is also indirectly addressed to all audiences” (ibid.: 188). CR is addressed in speeches either more generally by transmitting values (ibid.), for example, through stories about core values (Armstrong, 1992: part IV; Maak & Pless, 2006b: 111). Or, CR is addressed rather directly (WEF & IBLF, 2003: 22; Wilson, Lenssen & Hind, 2006: 32) like the 1997 speech of Lord Browne at Stanford University in which he considered oil business responsible for climate protection and promoted investments into alternative energies (Browne, 2000).⁵⁰

I already indicated that *meetings* are also important for CR-oriented communication (WEF & IBLF, 2003: 22). In the sense of formal systems, this is accomplished by establishing policies

⁴⁹ Bertelsmann (2005a: 29), empirically determines a comparable set of instruments. Still, because the study includes a majority of small companies, the frequency of occurrence is not representative here.

⁵⁰ Even though BP’s sustainability approach is today regarded as failed, or criticised of being only “green wash” (e.g., Elkington, 2006b: 26; Gammel et al. 2007), that time, the speech had major influence on the entire sector, on large companies in general, and on many other related players.

to set aside a brief time of the meeting in order to address a specific issue; in brief, to establish a “moment” (Freeman, Harrison & Wicks, 2007: 155). This includes more general “CSR moments” (Nijhof et al., 2007) but also narrower “ethics or stakeholder moments” (Freeman, Harrison & Wicks, 2007: 155) and “safety moments” (Olive, O' Connor & Mannan, 2006: 139)⁵¹.

9.1.3.1.2 *Non-Financial Reporting*

Firms sometimes consider *annual reports* for their dissemination of non-financial issues (Abbott & Monsen, 1979; WEF & IBLF, 2003: 22), but this is a minority (KPMG, 2005). With its unique challenges, the CR movement also developed some dedicated communication instruments. Increasingly recognisable is a movement towards dedicated *CR or sustainability reports* (Kleindorfer, Singhal & Wassenhove, 2005: 482; KPMG, 2005). Besides the legally required financial data, thus, companies also report on their social and environmental performance. Non-financial reporting is in an ongoing process of professionalization. Normative guidelines (Clausen et al., 2001) and meta studies (Loew et al., 2004; Perrini, 2005) for CR reports are increasingly available. Recently, international standards for CR reporting emerged, of which the standard of the Global Reporting Initiative (GRI) (2006)⁵² is the most successful and widely adopted one (Waddock, Bodwell & Graves, 2002: 45). The GRI standard for economic, environmental, and social performance aims to document the effects of corporations on stakeholders; to provide interested stakeholders with information; to establish a management system for sustainability; and to make sure that corporate sustainability reporting is transparent and credible (Löbel, Schröger & Closhen, 2005: 72). Also, diverse rankings exist benchmarking the quality of non-financial reporting of large enterprises (IÖW & future e.V., 2007; SustainAbility, 2006).

The nature of CR reports differs considerable. Loew (Loew et al., 2004: 77f) distinguishes sole print reports; print reports with extended information in the internet, also called “platform concept” (IÖW & future e.V., 2007: 20); and magazines. The latter magazines describe a rather low-detail, public relation-oriented print. In the year 2005, amongst the largest 100 companies of a country, 80 percent of Japanese, 71 percent of British, and 36 percent of German companies issued CR reports (KPMG, 2005). Two studies focus on companies belonging to the DAX-30 stock index (the index lists the 30 largest publicly listed companies measured by market value): Of these companies, 24 offer printed *CR reports*, of which a subset of 22 companies offer additional information in the internet (Blanke, Godemann & Herzig, 2007: 14); only two firms offer simpler *CR magazines* on a regular basis (Loew et al., 2004: 78).⁵³

Reporting is sometimes criticised for being a public relation instrument used to drown stakeholders with voluminous data, which sometimes even does not correctly reflect the actual state of CR management within companies (Basu & Palazzo, 2008: 128; Graafland,

⁵¹ Safety programs of companies like DuPont inspired the other, more general CR moments (Olive, O' Connor & Mannan, 2006: 139).

⁵² GRI was founded in 1997. The current GRI standard (2006) already exists in version “3.0”.

⁵³ The data differs concerning smaller firms: Few of them offer dedicated reports; they rather, if at all, integrate CR information into their annual reports (Bertelsmann Stiftung, 2005a: 29).

Eijffinger & Smid, 2004: 142). This is also because CR topics are often negative, where the current reporting paradigm requires a positive orientation (Brugger, 2008: 37). Also, “by focusing on reporting, organisations may steer away from the real issue, that of performance” (SIGMA, 2003a: 21). This can lead to a situation where reporting efforts outstrip the effort in management of CR, simply because “to report is easier than to do” which is especially true for decentralised global operations (Littlechild, 2003: 77)⁵⁴:

“Reporting came out of a perceived need to improve reputation and to publicise better the good practices being used in the face of adverse publicity on cases of corporate mismanagement. The demands for more sincere and balanced reporting pushed the rapid development of reporting faster than companies managed to invent processes for managing behaviour.” (ibid.: 77)

Gray finds evidence in literature that extensive disclosure can be an indicator for both good and bad performance (2006: 78).⁵⁵ Also, good performers may not disclose because “proudly” displaying CR can damage the moral status of it (Graafland, Eijffinger & Smid, 2004: 142).

To address this gap, Kolk (2004) developed a model to analyse the “implementation likelihood” of CR reports, which checks existence and nature of the following components: Management systems; monitoring policies; clearly defined sanctions for non-compliance; social and environmental performance indicators; and external verification.

9.1.3.2 Stakeholder Dialogues

Recently, researchers increasingly promote a pro-active approach to communication:

“CSR communication strategy then becomes one of pro-actively involving and displaying external stakeholders in the corporate CSR communication itself - rather than sending messages to them.” (Morsing, 2006: 177).

An increasingly recognised instrument for more directly involving stakeholders are *stakeholder dialogues* (e.g., Maak & Ulrich, 2007: 175ff; Pederson, 2006; Siebenhüner, Arnold & Hoffmann et al., 2006: 237; Waddock & Bodwell, 2004: 28):

- Whilst sometimes unidirectional dissemination activities (e.g., CR reports) are also considered dialogues, more often dialogues are characterised by a higher level of interactivity where people meet directly to discuss issues (Burchell & Cook, 2006: 157).
- Dialogues can be both initiated with more formal stakeholders (e.g., customers, employees, suppliers) as well as with less formal stakeholders (e.g., NGOs, local communities) (Pederson, 2006: 146) and could also be held between companies in the form of a “networking dialogue” (Burchell & Cook, 2008: 157f).
- Further, stakeholder dialogues are either unstructured (“any conversation”) or structured in nature (ibid.: 38; Doh & Stumpf, 2005: 11).

⁵⁴ See also SIGMA ([2003]: 21).

⁵⁵ Majer (2004: 25) also criticises that companies report only on the sustainability dimensions (economic, social, environmental) separately, but fail to report in an integrated way which truly reflects sustainability. He sees Weleda AG, a pharmaceutical company based in Switzerland and Germany, as one of the few companies that reports on financial, environmental, and social aspects in an integrated way in their annual report called “Transparency” (cf. Weleda AG, 2008).

Following other researchers (Burchell & Cook, 2006: 157; Doh & Stumpf, 2005: 12; Kaptein & van Tulder, 2003: 208), I use the term stakeholder dialogue in a narrow sense for *interactive* and *structured* approaches with *less formal stakeholders*. Still, dialogues are not entirely decoupled from (uni-directional) dissemination activities. For example, reporting is a basis for proper dialogues because only informed stakeholders can be motivated to participate in the discussion (Kaptein & van Tulder, 2003: 208f). The specifics of a dialogue are, then, that participants engage in a two-way learning process in the way that it “not only enhances a company’s sensitivity to its environment, but also increases the environment’s understanding of the dilemmas facing the organization” (ibid.: 208).

Pederson (2006: 141) proposes five criteria to *differentiate between high and low-level engagement* in dialogues (Figure 30 below). A possible means to insure a high level of engagement is to contract an independent facilitator organisations (Burchell & Cook, 2008: 157f).

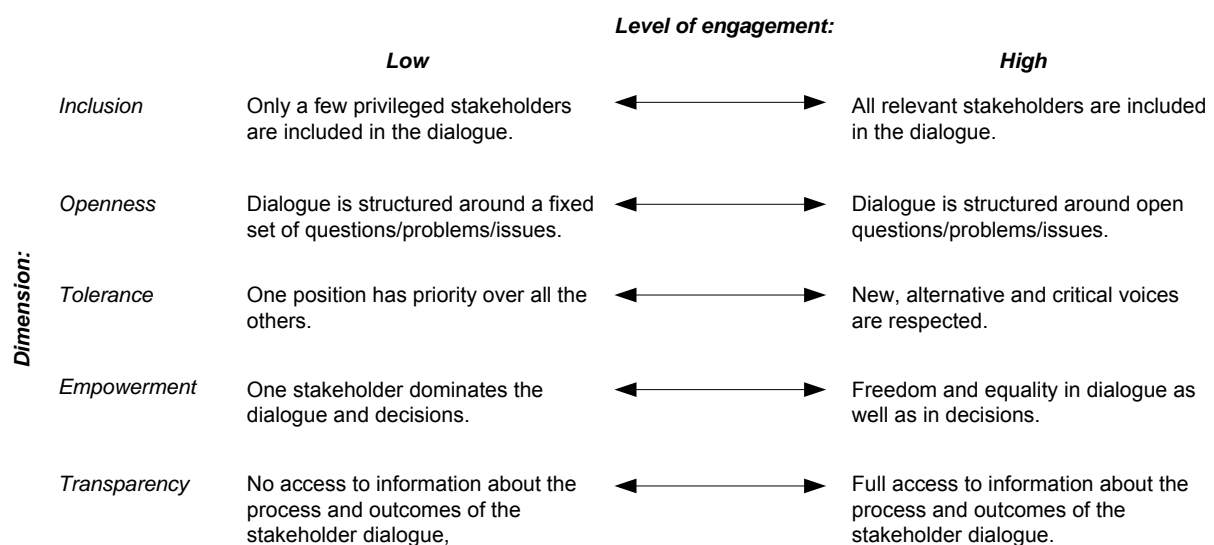


Figure 30 Stakeholder Dialogues and Levels of Engagement

Source: Pederson (2006: 141)

The nature of stakeholder dialogues is influenced by the organisational context, including available resources; knowledge and awareness of managers; and the commitment to spend resources (ibid.: 153). One possibility for dialogues with reduced cost are *online stakeholder dialogues* (Pleon, 2004: 32). Another way is to collaborate on industry-level (Burchell & Cook, 2008: 157f).

According to a recent survey, a majority of 74 percent of large companies in Germany state that they are willing to engage more frequently in dialogues (Pleon, 2004: 31). However, the instrument of stakeholders dialogues is *challenged* in so many ways, that Burchell speaks of a “critical stage” (Burchell & Cook, 2008: 45):

- Even though *feedback of results* and consecutive meetings are regarded as precondition for effective dialogues (Kaptein & van Tulder, 2003: 211,213), dialogue processes often lack such transparency (Burchell & Cook, 2006: 167). According to a survey within 150 biggest German companies (Pleon, 2004: 26), only 19 percent of the companies publish information on the dialogue *process*, and only 26 percent include *outcomes* of the dialogue

into non-financial reporting (e.g., CR report). Hence, instead of publishing outcomes, companies rather use them for internal problem solving (78%). This “secret mission” (ibid.: 26) is, however, not necessarily in the companies bad intention. Dialogue outcomes are rather intangible and include such as organisational learning, as well as increased trust and improved relationships between companies and stakeholders (Burchell & Cook, 2008: 42f). This intangible nature of outcomes also makes measurement difficult and, thus, dialogues are often threatened by resource divestment by the management (ibid.: 45).

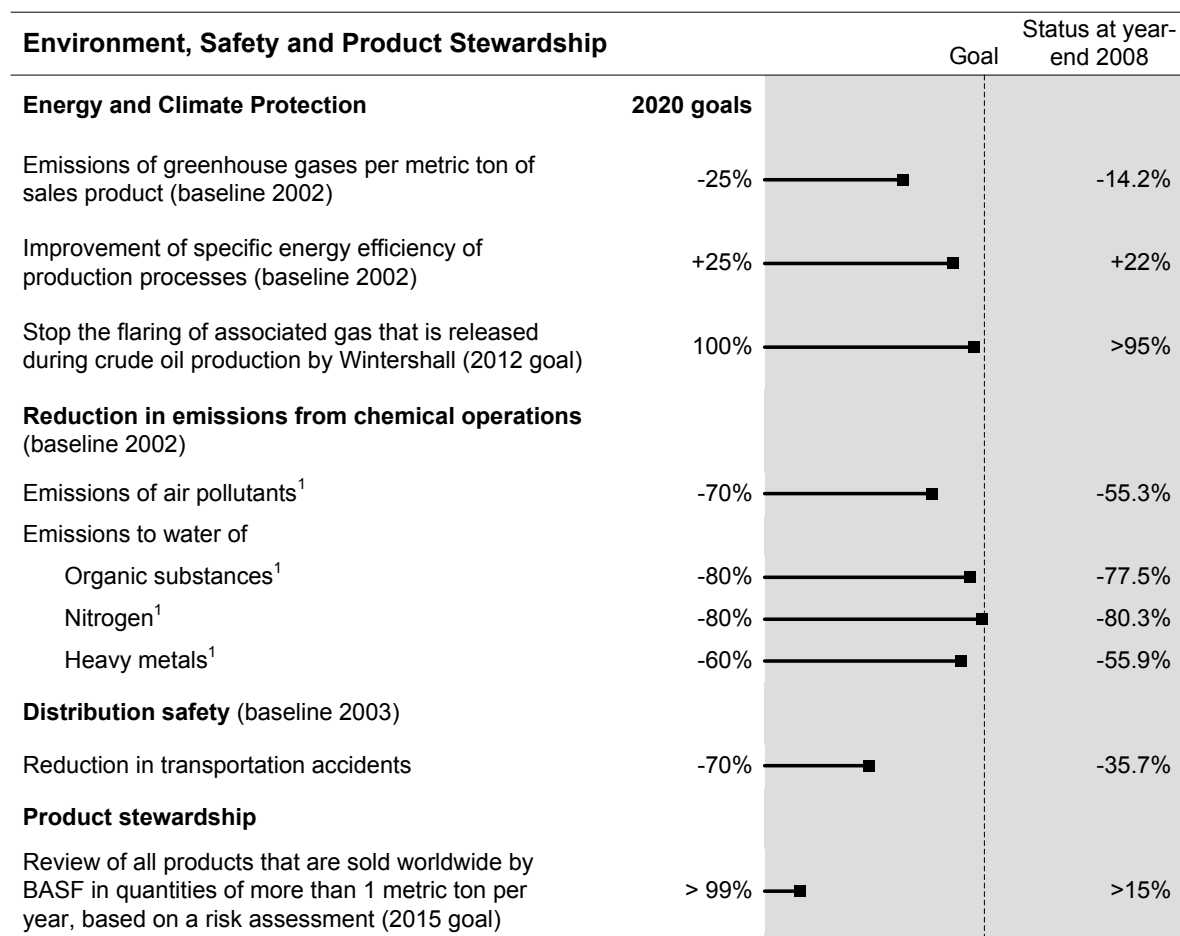
- Moreover, companies recognise that through dialogues the expectations of stakeholders rises (Burchell & Cook, 2006: 163).
- On the other hand, stakeholders like NGOs increasingly decline involvement in dialogues (Burchell & Cook, 2008: 39). They criticise that companies sometimes engage in dialogues “rather cynically” for “greenwashing” or simply to consume the stakeholders’ limited resources which, than, cannot be used for other actions like critical campaigns (Burchell & Cook, 2006: 162).
- Additional to the challenges mentioned, both parties, firms and stakeholders, are frustrated by dialogues because conflicting interests between stakeholders and a firm may be diminished, but can hardly ever be solved entirely (Pederson, 2006: 157; Suchanek, 2004).

9.1.4 Goal Setting and Decision Making

9.1.4.1 Organisational Goal Setting

Already in the late 1970s, some of the firms, especially large-scale enterprises, adopted CR as a corporate goal (Abouzeid & Weaver, 1978; Arlow & Gannon, 1982; Shetty, 1979). The standard of the Global Reporting Initiative demands that goals (short-, medium-, and long-term) are clearly specified for all economic, social, and environmental aspects and that they are reported against performance (GRI, 2006). As such, goals are an important means for subsequent (internal) performance evaluation (Kolk, 2004: 59,62). Such goals may address energy efficiency; diversity in the workplace; supplier monitoring (Economist Intelligence Unit, 2007: 9); environmental protection, health and safety; or community involvement (Schmitt, 2005: 93). The entirety of CR goals and related activities is then referred to as “CR programme” (Loew & Braun, 2006: 24).⁵⁶ The environmental part of an exemplary CR programme is presented in Figure 31.

⁵⁶ More general, CR goals are also integrated into management programmes (SIGMA, [2003]: 52).



¹ Assuming comparable product portfolio

Figure 31 Goals and Goal Attainment in the Area of Environment, Safety, and Products Stewardship Published by Exemplary Firm

Source: BASF (2009: 16)

A regular global survey on CR reporting finds that three quarters of the global fortune 500 companies possess public CR strategies including stated goals (KPMG, 2008). This almost matches perceived importance of goals by representatives of German companies: In a survey, about 65 percent of company representatives regard CR programmes (covering the CR goals) as very important. About an additional 22 percent regard such programmes as of average importance (Loew & Braun, 2006: 25).⁵⁷

Certain *weaknesses* of CR goals also exist and are elaborated in the following. First, Abouzheid and Gannon (1978) argue that CR goals were subordinate to economic and financial goals. Second, Brunner (2003: 24) finds that goals are relatively unimportant for the success of CR. At least two reasons exist: Probably the largest challenge in regard to goals in the domain of CR, is to define operational goals which go beyond an “aesthetic” level:

“In any event the problem is basically the unwillingness — or inability — of management to go beyond the level of aesthetic social objectives — those objectives which are of the ‘window

⁵⁷ Percentages calculated based on the fact that the survey included 32 respondents (Loew & Braun, 2006: 18).

‘dressing’ variety with such platitudinous generalities as ‘to be a good corporate citizen’, ‘to improve the level of ethics in our company’, ‘to serve the community as best we can’, and ‘to always operate with the public interest in mind’.” (Carroll, 1978: 36)

A third issue exists concerning the nature of goals: It is important that they contain a “stretch”. This is achieved by ambitious goals that require the management to do more than the business-as-usual (Carroll, 1978: 36). However, for CR-oriented goals this is seldom the case (IÖW & future e.V., 2007: 50).

9.1.4.2 Individual Goal Setting

CR goals also need to be operationalised in a way that “goal *attainment* is readily accomplishable and identifiable” (Carroll, 1978: 36). This also involves that such organisational goals are operationalised on an *individual* level, for example, within *target setting and staff dialogues* (Reichwald, Siebert & Möslin, 2005: 188).

Barsky supports this idea by stating that individual goals can have a “*normative content*”. For example, an “ethical goal” demands employees to focus (also) on ethical performance (Barsky, 2008: 72). In the context of CR, accordingly, social or environmental goals focus on social and environmental performance. Community involvement activities may also enter employee goals (Pinter, 2006: 49). However, according to a recent global study, CR goals play a role for only 37 percent of the surveyed executives and their teams. In Western Europe this number drops to 28 percent (Economist Intelligence Unit, 2007: 2,9). This data suggests that organisational CR goals, whilst broadly adapted by firms, address only a minority of executives, most probably from specialised functions like the environmental department.

Whilst I addressed goals with explicit CR content above, *general, task-oriented goals* also have impact on CR because goal setting itself can be a source of unethical behaviour (Siebert, 2006: 75f). This is best understood by analysing the nature of goals in more detail. According to Barsky, this involves the attributes of goals, content type of goals, and goal-setting practices (Barsky, 2008). In regard to the *attributes of goals*, Barsky finds that the *difficulty* of a goal influences ethical conduct because “when performance goals reach a certain level of difficulty, individuals may be forced (or feel forced) to choose between acting ethically and accomplishing the goal” (ibid.: 70).

Barsky distinguishes two *types of goal content*, namely outcome and behavioural goals. *Outcome goals* concentrate on the desired results. There are usually various behavioural choices for goal attainment, which may also include unethical behaviours. Accordingly, a pure focus on outcome goals can facilitate unethical conduct (ibid.: 70–72). Specifically, unethical conduct is likely when “people fall short of goals”, and even more likely when goal attainment fails by a small margin (Schweitzer, Ordóñez & Douma, 2004: 423,427). In contrast, *behavioural goals* define “how something should be done procedurally” (Barsky, 2008: 70), which incorporates the possibility to exclude unethical procedures.

Finally, in regard to *goal-setting practices*, two aspects are important. A *first* issue concerns the *quantity of goals*. Goal setting is limited in the way that people are only capable of following a selected number of goals at the same time. Locke (2004) suggests three to seven goals per person. Goal shielding theory even suggests that when people focus on a primary goal, they inhibit attention to alternate goals or features (Shah, Friedman & Kruglanski,

2002). Through this lens, it is questionable if a focus on purely financial goals with CR-oriented *side* goals can be a successful arrangement for achieving responsible conduct.

A *second issue* of the goal-setting procedure acknowledges that, besides “mere” goals, goal attainment can also be *linked to rewards* (Schweitzer, Ordóñez & Douma, 2004).⁵⁸ Reward goals increase the “motivation to accomplish the goal at any cost” (Barsky, 2008: 74) and, thus, increase the likelihood of unethical conduct. This is especially the case if goal attainment alone is the basis for reward, which is the case with *stretch goals*. These are difficult goals which only get rewarded when people reach them. *Multiple goal (and bonus) levels* or *linear goal system* (with a continuous scale) are variations of stretch goals which allow for a higher degree of flexibility (Locke, 2004). Instead of linking rewards to goals directly, rewards can also be defined after the fact. In this mechanisms, which Locke refers to as “*motivate by goals but pay for performance*” (2004: 131), challenging goals are used to motivate people, but the goals are not directly link to bonuses. This also allows for the recognition of behavioural components in goal attainment, for example, “how was the goal achieved”. Thus, this allows for reflection on ethical or value compliant behaviour. In contrast to the pure focus on goal attainment, the latter “*motivate by goals but pay by performance*” mechanism is, from a normative CR perspective, a superior mechanism.

9.1.4.3 Decision-making Rules and Tools

Goal-oriented, individual conduct is also closely related to decision making processes (Barsky, 2008: 66; Schweitzer, Ordóñez & Douma, 2004: 423) because the rather middle or long-term goals are translated into day-to-day decisions. There is wide consensus that ethics and, more broadly, CR should be part of decision making processes (e.g., Epstein, 1987: 108f; SIGMA, [2003]: 25; Treviño, 1990: 208; Wade, 2006: 229; Wood, 1991a: 709). This is achieved by ethical analyses that check consequences for stakeholders and the community (Treviño, 1990: 208). Jones describes *ethical decision making* as a four-step process (Figure 32).⁵⁹

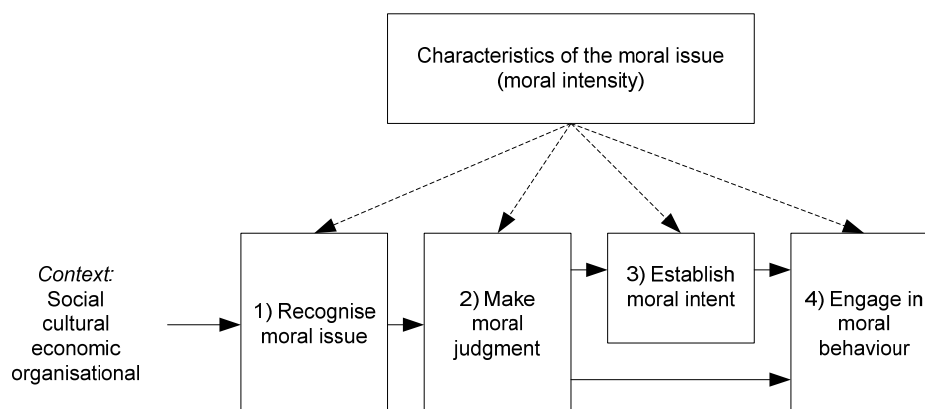


Figure 32 Ethical Decision Making Model

Source: Simplified based on Jones (1991: 370)

⁵⁸ Here, I explain how the linkage of *task-oriented* goals with rewards impacts CR-oriented behaviour. Rewards are also used to directly stimulate CR practices, which is introduced in section 9.3.

⁵⁹ Whilst the presented process does not explicitly address CSR, social and environmental considerations are implicitly contained in the “moral” issue.

Though the actor's stage of moral development (Kohlberg, Levine & Hower, 1983) also constrains the decision-making process, I focus on the organisational context concerning the institutionalising of *decision making rules*. People may use the “*golden rule*” or the “*newspaper test*” (Treviño, Brown & Hartmann, 2003: 19, Treviño, Hartmann & Brown, 2000: 132f) to support their reasoning. The newspaper test asks whether the decision-maker is comfortable with his or her decision being disclosed on a newspaper's front page. Paine (2006) suggest the use of a “*decision making compass*” as a 360-degree moral assessment tool. Wade reports from firm practices which encourage employees to look through a “*sustainable development lens*” when making business decisions (Wade, 2006: 229). *Checklists* (Clausen & Loew, 2009: 70) and *environmental impact statements* (Treviño, 1990: 208) are also used within firms to recognise CR in decisions.

More broadly, other leadership instruments like values statements, business codes, goal setting, incentives and rewards, and leadership development programmes also influence decision-making (Barsky, 2008: 66; Schweitzer, Ordóñez & Douma, 2004: 423; Urbany, 2005: 179). Further, an organisation could also provide leaders with ethical mentors (Brown & Treviño, 2006: 601) in order to improve moral judgement (cf. 9.4.2.2).

9.1.5 Summary

In this chapter, I developed the meaning of CR for leadership instruments in the field of “interactive process”. An overview is given in Table 10 below.

Type of instruments	Subtype of instruments	Exemplary instruments
Values	<ul style="list-style-type: none"> • Values statements 	<ul style="list-style-type: none"> • Corporate values; credos; “Leitbilder”
Business codes	<ul style="list-style-type: none"> • Business codes 	<ul style="list-style-type: none"> • Code of conduct • Code of leadership
	<ul style="list-style-type: none"> • Codes from business support organisations • International codes 	<ul style="list-style-type: none"> • Responsible care (chemical industry) • UN Global Compact
Communication and Dialogue	<ul style="list-style-type: none"> • Internal and external communication • Stakeholder dialogue 	<ul style="list-style-type: none"> • Employee magazines; corporate TV; events; Intranet • Internet; CR reports; annual reports • Structured, interactive dialogue • Online stakeholder dialogue
Goals setting and decision-making	<ul style="list-style-type: none"> • Organisational goals (“CR programme”) • Individual goal setting • Decision-making templates 	<ul style="list-style-type: none"> • CR roadmap • Individual CR goals • Behavioural goals • “Motivate by goals but pay for performance” • Newspaper test • Sustainable development lens • Checklists • Environmental/social impact statements

Table 10 Instruments for “Leadership as a Day-to-Day Interactive Process”

9.2 Leadership Metrics

Measuring CR is key for integrating it into business. This new measurement perspective most importantly requires to transcend overemphasis of short-term performance measures (Epstein, 2008a: 132). Thereby, CR-oriented performance measurement is important on both *organisational* and *individual level* (ibid.: 132; Kuhndt, et al., 2004: 27), also because individual metrics are often derived from organisational metrics. Each of these levels will be presented in the following subsections.

9.2.1 Performance Metrics on the Organisational Level

Corporate performance is a construct subject to various interpretations and may be measured in terms of profit, long-range viability, growth, or social improvement (Yelsey, 1964). Following the CR paradigm, I am interested in performance integrating economic, social, and environmental aspects, often labelled corporate social performance⁶⁰ (Carroll, 2000; Griffin, 2000; Rowley & Berman, 2000; Wood, 1991a). The development of organisational CR measures is difficult (Carroll, 2000: 473; WBCSD, 1999: 17), however, metrics are increasingly developed (Schindel, 2003: 12). Thereby, performance indicators for measuring CR can be as diverse as issues covered. They span across economic, environmental, and social dimensions with the social dimension usually being divided into indicators regarding core business (e.g., human resources), on the one hand (Henle, 2008; Spangenberg & Bonniot, 1998: 23ff), and corporate community involvement, on the other (BITC, 2003: 9; LBG, 2007; PLF & BCCCC, 2005). Indicators are further divided into economic, legal, ethical, or philanthropic categories (Carroll, 1979). Last but not least, they address issues in different areas of the value chain (Figure 33) starting from the supply chain; via organisational aspects; to the domain of the customer represented by the products and services and the related innovation activities (Defra, 2006: 23; Ditz & Ranganathan, 1997: 14f).

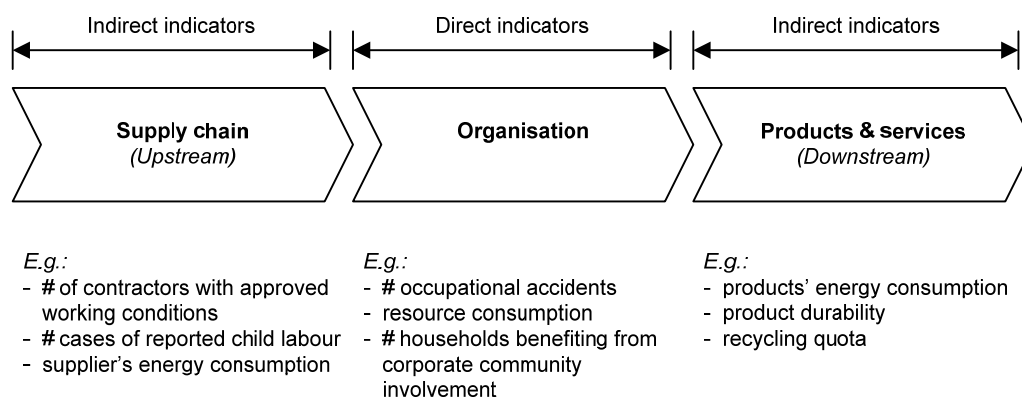


Figure 33 Coverage of Performance Indicators

Source: Based on Defra (2006: 23)

⁶⁰ I follow Rowley and Berman (2000) who suggest to use corporate social performance (CSP) as an overarching "label" instead of in the sense of a theoretical or empirical (clearly defined) construct.

Analysing and measuring the three areas (supply chain, organisation, products and services) simultaneously, is called life cycle assessment (Belz, 2006: 140; Epstein, 2008a: 204). Depending on the CR dimensions covered, it is referred to as environmental LCA (Kloepffer, 2008), social LCA (Jørgensen, Le Bocq & Hausschild, 2008), and (overall) sustainability LCA (Gauthier, 2005; Spillemaeckers & Vanhoutte, 2006).

Indicators are established either for *reporting against external demands* (e.g., global reporting standards, reporting competitions and rankings) or for *internal performance tracking* and decision-making (Olsthoorn et al., 2001: 455; Schaltegger & Wagner, 2006a). This also influences the choice of whether organisation-specific indicators are being developed, or standardised indicators from global or national standards are preferred (Darby & Jenkins, 2006: 415). Whilst standardisation has its advantages in improved quality and greater comparability (Kolk, 2004: 60), Schaltegger and Wagner (2006a: 13) warn that a sole focus on these external demands may not correctly reflect the firm's core sustainability issues and activities, and may also damage the credibility of sustainability reporting in the long-term. In consequence, they promote an inside-out approach that, in a first step, defines metrics by the strategic relevance for the firm and, only in the second step, links these measures to the reporting system.

CR metrics are distinguished on *four different performance levels*: Inputs, processes, outputs, and impacts⁶¹ (Epstein, 2008a: 168; cf.: AMA, 2007: 35; LBG, 2007; Waddock & Graves, 1997: 304; Wood, 1991a).⁶²

- *Inputs* regard metrics measuring the quantities of all kinds of resources invested into CR-related issues (e.g., cash invested in employee development).
- *Process metrics* root in the understanding that policies and processes are key to institutionalise CR (Strand, 1983: 94; Wood, 1991a: 709). In this regard, metrics measure the quality and quantity of these policies and processes (e.g., existence and scope of incentive policies for CR).⁶³ Hence, they measure “performance likelihood” rather than actual performance” (Kolk, 2004: 60).⁶⁴
- *Outputs* cover “real” performance metrics which describe the actual social, and environmental performance (e.g., employee health; carbon reduction). Compared to impacts, “outputs are more easily measured results of actions” (Griffin, 2000: 481).
- *Impacts* “answer the ‘so what?’ question” (ibid.: 481). Impacts are considered in two ways (Epstein, 2008a: 53): On the one hand, CR is instrumental to business success (business

⁶¹ Epstein (2008a: 168) uses the term “outcomes”, but I follow others by calling this ultimate level of metrics “impact level” (e.g., Olsthoorn et al., 2001: 454; Wood, 1991a). For the difference of output and impact also see Griffin (2000: 481).

⁶² In earlier works, Epstein and Roy (2001: 596) differentiate between *leading* and *lagging* indicators. The former relate more to input and process indicators and the latter relate to outcomes.

⁶³ In contrast, Wood regards policies on the level of *outcomes* (i.e., *impacts*): A “comprehensive corporate social policy, fully institutionalized and operational, would be the logical final outcome of corporate behaviour motivated by principles of responsibility and occurring through socially responsive processes” (Wood, 1991a: 709).

⁶⁴ As the RLS framework presented in this work concentrates on instruments and tools, a process indicator could evaluate the existence and scope of a firm's responsible leadership instruments. In the later empirical part of this work, I will follow this approach.

case); metrics then describe the ultimate financial impact of CR. Though this monetary quantification of CR seems to be less important today, it is still an issue for “laggard” companies — these are organisations not yet convinced of the benefits drawn from CR (Steger, 2004: 41). On the other hand, in the sense of “stakeholder satisfaction” (Griffin, 2000: 481), social and environmental CR performance is a goal for its own right. In this sense, *impacts* describe changes in the macro-environment resulting from *outputs* (Olsthoorn et al., 2001: 454; Spangenberg & Bonniot, 1998). These impacts are especially important for sustainability (Olsthoorn et al., 2001: 461; Richards & Gladwin, 1999: 18). Examples concerning the natural environment are forest decline, biodiversity, and climate change. Income distribution as well as access to housing, water, and food are all examples for the social-economic dimension (Spangenberg & Bonniot, 1998: 6f). Of course, these impacts are very difficult to measure because any single company’s contribution to the aggregate often remains impossible to detect (Ditz & Ranganathan, 1997: 4). Thereby, impacts not necessarily derive from intended CR-related action, rather “everything a firm does has some social impact” (Wood, 1991a: 708).

Another way to distinct CR-related measures is the difference between real performance indicators and *perception or surrogate measures* (BITC, 2003: 9; EFQM, 2003b: 15). Perception measures analyse the “perceived” performance, this is, they analyse the *satisfaction* of (internal and external) stakeholders in regard to a company’s responsibilities. This covers all kinds of *survey-based practices*. It is important to not solely rely on these subjective perception measures because they may not reflect actual impacts (Carroll, 2000: 473f; Porter & Kramer, 2006: 91).

Last but not least, CR performance can be represented by *individual* indicators, *aggregate* indicators (Olsthoorn et al., 2001: 455), indicator *arrays* (Atkisson & Lee Hatcher, 2001: 512), or *overall performance measurement systems* (Olsthoorn et al., 2001: 455; Schaltegger & Wagner, 2006a: 3).

The above described dimensions of CR metrics are summarised in Figure 34 below.

	Object:	Organisational level		Individual level	
	Motivation:	Internal performance management		External demand	
ISSUE	Issue dimension:	Economic	Social	Environmental	<i>Sustainability (overall)</i>
	Issue category:	Economic	Legal	Ethical	Philanthropic
	Value chain area:	Supply chain	Organisation / firm	Products & services	<i>Life-cycle analysis (overall)</i>
INDICATOR	Performance level:	Inputs	Processes	Outputs	Impacts
	Data source:	Perception		Actual performance	
	Composition:	Performance Management System	Array indicator	Aggregate indicator	Individual indicator

Figure 34 Morphological Analysis of CR Metrics

In order to describe the details of performance measurement, I will structure the following paragraphs according to the dimension of *indicator composition*. The first paragraph deals

with individual performance indicators. The second paragraph reviews aggregate and array indicators (overall performance measurement systems are presented in the subsequent subsection).

9.2.1.1 Individual Performance Indicators

9.2.1.1.1 Overview of Individual Performance Indicators

Resulting from a “great diversity of applications, industries and stakeholders” (Olsthoorn et al., 2001: 461), overall, a vast number of individual indicators for CR exist (e.g., BITC, 2003; Clarkson, 1995: 114f; Defra, 2006; Epstein, 2008a: 169–177; Epstein & Roy, 2003a: 29; GRI, 2006; Henle, 2008; Jasch, 2000: 81; Olsthoorn et al., 2001; Spangenberg & Bonniot, 1998). Especially, indirect indicators assessing products and services are virtually impossible to enumerate, simply because they depend on the specifics of the product or service:

“These guidelines do not attempt to suggest KPIs [key performance indicators] for the downstream impacts of products – the individual product streams are too numerous and the impacts too diverse to offer solutions that can sensibly fit all these different circumstances.” (Defra, 2006: 64)

For an overview of indicators, I refer to the key performance indicators (KPIs) defined by the standard of the Global Reporting Initiative. The three columns of Table 11 list the aspects subject to measurement, the GRI code, and the number of individual indicators related to each aspect.

Performance indicators should also be approached in a *critical way*. One important issue concerns *indicator validity*: It requires that measured indicators are legitimate and informative, rather than being only chosen for pragmatic reasons (Chatterjee & Levine, 2006: 33; Spangenberg & Bonniot, 1998: 4). Chatterjee describes this as follows:

“Unfortunately, the metrics that are easiest to report are not always the most informative. As a result, it is easy to imagine a situation where a firm reports superior environmental performance based on available measures, while it causes environmental damage in ways that are difficult to monitor.” (2006: 33)

Another problem related to indicators is the one of *substitution*. Aspects measured by indicators may be substituted by aspects not measured. For example, environmental pollutants covered by performance measurement may be substituted by pollutants not covered. In this case, pollution *data* improves, whilst the *real level* of pollution is maintained (Callens & Tyteca, 1999: 50).

Key dimensions and aspects	KPI codes	#KPIs
Economic performance indicators		
- Economic performance	EC1-4	4
- Market presence	EC5-7	3
- Indirect economic impacts	EC8-9	2
Environmental performance indicators		
- Materials	EN1-2	2
- Energy	EN3-7	5
- Water	EN8-10	3
- Biodiversity	EN11-15	5
- Emissions, effluents, and waste	EN16-25	10
- Products and services	EN26-27	2
- Compliance	EN28	1
- Transport	EN29	1
- Overall	EN30	1
Social performance indicators		
- Labor practices and decent work performance indicators		
- Employment	LA1-3	3
- Labor/management relations	LA4-5	2
- Occupational health and safety	LA6-9	4
- Training and education	LA10-12	3
- Diversity and equal opportunity	LA13-14	2
- Human rights performance indicators		
- Investment and procurement practices	HR1-3	3
- Non-discrimination	HR4	1
- Freedom of association and collective bargaining	HR5	1
- Child labor	HR6	1
- Forced and compulsory labor	HR7	1
- Security practices	HR8	1
- Indigenous rights	HR9	1
- Society performance indicators		
- Community	SO1	1
- Corruption	SO2-4	3
- Public policy	SO5-6	2
- Anti-competitive behaviour	SO7	1
- Compliance	SO8	1
- Product responsibility performance indicators		
- Customer health and safety	PR1-2	2
- Product and service labeling	PR3-5	3
- Marketing communications	PR6-7	2
- Customer privacy	PR8	1
- Compliance	PR9	1

Table 11 Standard for Sustainability Performance Indicators Promoted by the Global Reporting Initiative

Source: Based on GRI (2006)

9.2.1.1.2 Measurement of Corporate Community Involvement

One special field of measurement is CCI, which deals with the effects firms have on the local communities in which they operate. This is also considered by the GRI indicator “community” (cf. Table 11, indicator “SO1”). However, whilst “community” relates to the larger effects of business on communities, firms do not address it this broadly; they mostly focus on dedicated CCI activities (GRI, 2008). Whilst CCI was not subject to rigorous performance measurement in the past, recently, measurement systems are increasingly available (PLF & BCCCC, 2005: 7). As an element of CR performance (Epstein & Roy,

2003b: 82) which is difficult to measure, CCI is also an important means of differentiation between companies.

The measurement of CCI requires consideration of both community and business outputs and impacts (Weber, 2008: 258; cf. 4.2.2 in Part I). Metrics to measure community benefits relate to issues like, for example, poverty, health, education, and economic development (UN, 2007). Metrics measuring business benefits address, for example, improved image, talent attraction, higher employee morale, and developed competencies (Hess, Rogovsky & Dunfee, 2002: 121f; Hills & Mahmud, 2007: 20; PLF & BCCCC, 2005). A model that recognises these two dimensions is the one developed by the London Benchmarking Group (LBG), called the “LBG model” (LBG, 2004: 15f). The LBG model also follows the earlier introduced *performance levels*, namely input, output, and impact (ibid.: 16). Further, the model distinguishes three types of community activities: Charitable gifts, community investment, and rather commercial initiatives. Thereby, the importance of evaluating business benefits increases from the former to the latter. The following Figure 35 explains the LBG model.

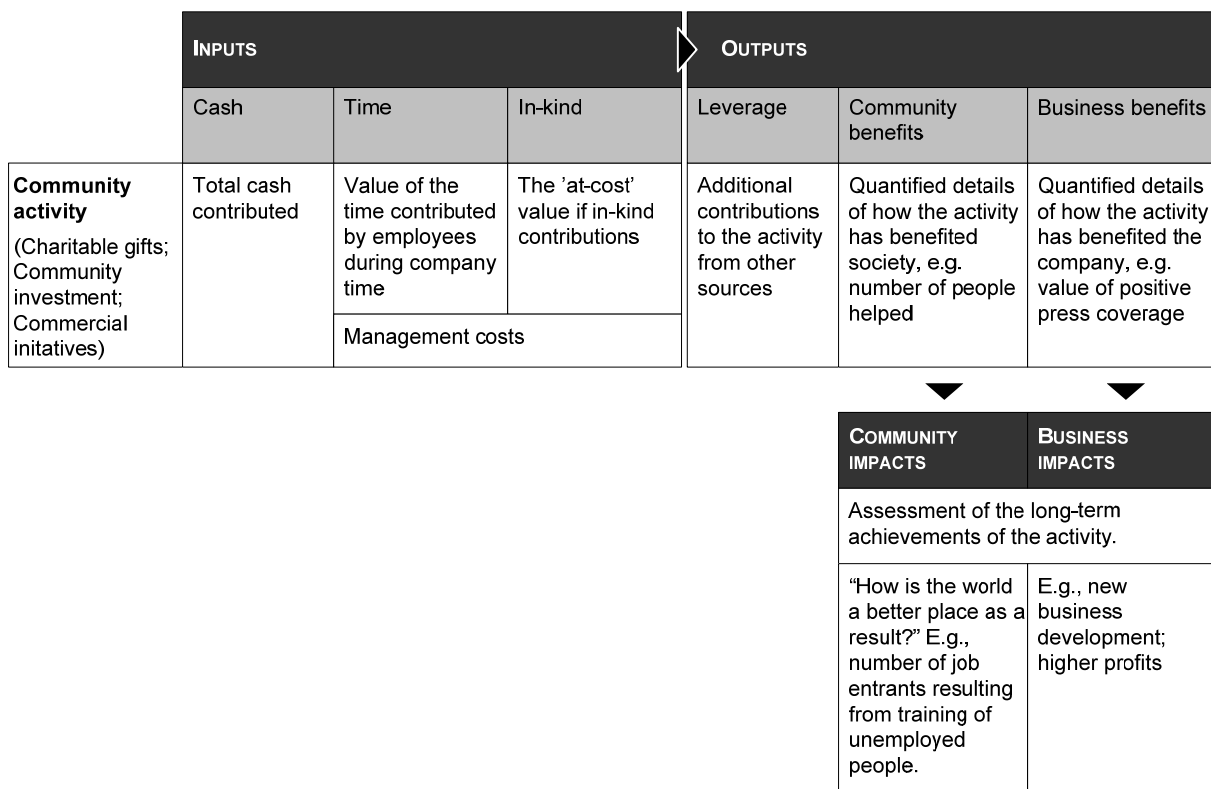


Figure 35 LBG’s Input–Output Matrix for Corporate Community Activities

Source: Based on LBG (2007: 10) and LBG (2008)

The *complexity of community involvement measurement* rises from inputs to impacts and, respectively, the necessary time horizon for evaluation. Whereas *inputs* can be reported immediately, *outputs* may transcend the reporting period. Finally, measuring long-term community impacts, such as “overall positive economic impact” (Hess, Rogovsky & Dunfee, 2002: 122), requires a time horizon of one to ten years (Figure 36). Thereby, outputs and impacts are measured by impact analysis or — because it is easier — by perception measures

(BITC, 2003: 9; Robertson, 2006: 20). Still, according to an empirical analysis of CR reports, most community performance indicators are still *input* oriented (GRI, 2008: 11).

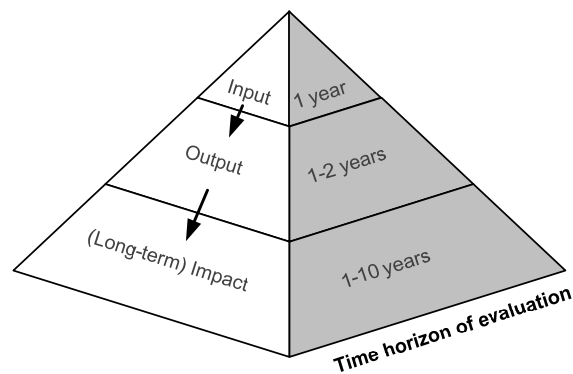


Figure 36 Level of Citizenship Metrics and Time Horizon

Source: LBG (2007: 11)

9.2.1.2 Overall Performance Indicators

The large set of potential individual indicators is too vast for application in leadership tasks. In order to support leadership, indicators have to be narrowed down to a useful number. CR with its economic, social, and environmental dimension suggests to develop an overall measure covering all dimensions (Schaltegger & Wagner, 2006b: 11), an aim also called the “quest for a single [overall] indicator” (Atkisson & Lee Hatcher, 2001: 512). Even though “indicators [...] almost never address overall sustainability” (Olsthoorn et al., 2001: 456), some approaches are moving towards that direction. Thereby, economic indicators are well established and it makes sense to regard the social and environmental dimensions separate from the economic dimension (Schaltegger & Wagner, 2006b: 11f). Accordingly, I focus on non-economic dimensions of CR indicators. Possible solutions for an overall indicator are arrays of indicators, aggregated indicators, stakeholder surveys, and external performance evaluation through rating agencies. All are elaborated further.

9.2.1.2.1 Array of Indicators

One possible solution to describe CR performance in more practical terms is to derive a useful list of indicators, then called an *array of indicators* (Atkisson & Lee Hatcher, 2001: 512). Olsthoorn et al. (2001: 455) state that overall performance may be measured by *groups of “key” indicators*. For example, one company chose only nine KPIs from a group of around 500 potential sustainability indicators (Keeble, Topiol & Berkeley, 2003). This also indicates that choosing key metrics (and leaving out others) is a *weighting decision* (Atkisson & Lee Hatcher, 2001: 512). To select the appropriate indicators, two general options are available. On the one hand, Schaltegger and Wagner (2006a: 13) promote to select indicators according to the strategic relevance for the individual business. On the other hand, expectation of external stakeholders and external reporting standards can guide indicator development (Keeble, Topiol & Berkeley, 2003: 152).

Strategically derived indicators are firm-specific and, hence, difficult to enumerate. In the following Table 12, I thus give a list of KPIs representing the external expectation of financial analysts (Hesse, 2007b).

Sector	Most Important Sustainability KPIs According to Analysts
Automobiles	<ol style="list-style-type: none"> 1. Fleet consumption 2. Energy and greenhouse gas intensity of the production
Chemicals	<ol style="list-style-type: none"> 1. Energy and greenhouse gas intensity of the production 2. Prevention/mitigation of hazardous substances 3. Prevention/mitigation of human and environmental toxicity
Consumer goods/retail	<ol style="list-style-type: none"> 1. Environmental and social standards of the supply chain 2. Proportion of products with sustainable development differentiation 3. Hazardous substances/environmental and human toxicity
Industrial goods	<ol style="list-style-type: none"> 1. Energy and greenhouse gas intensity of the production 2. Energy efficiency of the products 3. Labour conditions
Information and communication technology	<ol style="list-style-type: none"> 1. Energy and greenhouse gas efficiency of production and products 2. Eco-design 3. Labour conditions
Pharmaceuticals	<ol style="list-style-type: none"> 1. Strategies for access to medicines for the poor 2. R&D ethics 3. Marketing ethics
Utilities	<ol style="list-style-type: none"> 1. Greenhouse gas intensity of energy production 2. Increase of renewable energy proportion 3. Transparency in energy splitting

Table 12 Sector-Specific Sustainable Development KPIs (SD-KPIs) as Used by Financial Analysts

Source: Hesse (2007b)

Though indicator arrays are a good means to attract attention and raise awareness, one *drawback* of them is related to the *selection of variables*. As the selection determines the resulting message, they risk to be “used for politics, rather than policy” (UN, 2007: 44).

9.2.1.2.2 Aggregated Performance Indicators

Often various single performance indicators, each measuring a specific CR aspect, are aggregated to an overall indicator, then called *aggregate* (or composite) indicator (AMA, 2007: 37; Olsthoorn et al., 2001: 461). *Weighing schemes* are used to translate a set of indicators (often with different units) into a quantitative measure (Rowley & Berman, 2000: 403); for example, different environmental emissions are joined to an indicator of “environmental burden” (Ditz & Ranganathan, 1997: 13) or “ecological footprint” (UN, 2007: 43). Life-cycle analysis (Gauthier, 2005) is another example for an aggregate indicator (AMA, 2007: 35). Aggregate indicators are typically dimensionless (Olsthoorn et al., 2001: 462).

Aggregation can also be done by *monetary aggregation* which describes value lost or value added (ibid.: 462). This approach is followed by the method of “*Sustainable Value*” (*SV*), developed by Figge and Hahn (Figge & Hahn, 2002, 2004, 2005; Hahn, Figge & Barkemeyer,

2007, 2008). Figge and Hahn developed the SV method in need for a one-dimensional metric of the multi-dimensional CR performance. They follow the logic of capital markets and express CR performance in a monetary metric. In this approach, sustainability performance is calculated by analysing the use of economic, environmental, and social resources of a company in comparison to a benchmark. In other words, SV determines “how much more sustainable (in monetary terms) the use of the resource is in comparison to another entity” (Figge & Hahn, 2002: 8). The choice of the benchmark is a normative decision: It can be, for example, national economy, regions, industry sectors, or other selected companies (Figge & Hahn, 2005: 53). Thereby, SV regards both efficiency gains and effective (i.e. absolute) changes in the usage of all types of resources by companies (Figge & Hahn, 2002: 1, 6). As presented in Table 13, a very limited set of resources are measured (especially in the social dimension). This results from the focus of SV on public available, quantitative data (Hahn, Figge & Barkemeyer, 2008: 18, 21).⁶⁵

Environmental Indicators	Social Indicators	Economic Indicators
CO ₂ emissions	No. of work accidents	Total assets
NO _x emissions	No. of employees	
SO _x emissions		
VOC emissions		
Waste generated		
Water use		

Table 13 Economic, Environmental, and Social Resources to Calculate Sustainable Value

Source: Hahn, Figge & Barkemeyer (2008: 18)

The practicability of the method has been approved through benchmarking studies amongst firms on the global (Hahn, Figge & Barkemeyer, 2007, 2008) and national level (Hahn et al., 2007); through application on the level of a single firm (Figge & Hahn, 2004, 2005); and, *within* companies, on the level of “sites, processes, products, or units” (Figge and Hahn, 2002: 28)⁶⁶.

Generally, indicators using aggregation have some *drawbacks*. Most importantly, aggregation reduces meaning and richness of data (Rowley & Berman, 2000: 403); it “simplifies the data but also hides it” (Atkisson & Lee Hatcher, 2001: 512). For example, simultaneous changes in partial indicators can leave the aggregate indicator unchanged. Further, Callens and Tyteca (1999: 45, 50) state that aggregated indicators narrow down the freedom of the decision-maker in making meaningful tradeoffs. Accordingly, they propose to develop several *partial indicators* for each of the CR dimensions (e.g., social, environmental). Aggregation also relies on weighing, which can be ethically questionable (Graafland, Eijffinger & Smid, 2004: 141; UN, 2007: 44). For example, “is treatment of employees [...] less or more important than air pollution practices” (Rowley & Berman, 2000: 403)?

⁶⁵ In some cases, missing data was requested from firms directly (Hahn, Figge & Barkemeyer, 2007: 500).

⁶⁶ Keeble et al. (2003) also present indicators for an assessment on *project* level.

More specific, the SV method has also some *limitations*. *First of all*, the data the calculation is based on is limited to public disclosure. *Second*, SV does not say whether a company or a benchmark is sustainable or not (Figge & Hahn, 2005: 55). *Third*, the metrics cover only direct company impacts and disregard upstream and downstream metrics. *Finally*, I see a contradiction in the way the social indicator “no. of employees” is treated with the same logic of efficiency as the other indicators. Whilst reduction of the number of employees can lead to higher firm-internal social efficiency, it, at the same time, has negative external social implications not covered by the SV logic.

9.2.1.2.3 Stakeholder Surveys

MacMillan et al. (2004: 28) argue that CR is mainly determined by the experiences of stakeholders. Furthermore, stakeholders are likely to judge CR performance differently than firms themselves (Wood, 1991a). It is thus important to measure stakeholder reactions (Epstein & Roy, 2001: 297) or stakeholder satisfaction (Clarkson, 1995: 109).

The latter is achieved by perception-based survey-techniques. These opinion polls are either executed by the proper firm or by third-parties in behalf of the firms (Epstein, 2008a: 175,178f). Various groups of stakeholders should be covered, for example, through *employee satisfaction surveys* (PLF, 1999: 29; Treviño et al., 1999: 145), *customers satisfaction surveys* (e.g., Epstein, 2008a: 174), and broader *stakeholder satisfaction surveys* directed at external stakeholders (e.g., Elkington, 1994: 92). Whilst satisfaction surveys are a measure for CR in its own right (the level of satisfaction indicates how responsible a firm interacts with that particular stakeholder group), they can also more explicitly ask about satisfaction with a firm’s CR approach.

An exemplary *stakeholder measurement methodology* is the one developed by MacMillan et al. (Hillenbrand & Money, 2007: 37; MacMillan et al., 2004: 28). The methodology called “Stakeholder Performance Indicator and Relationship Improvement Tool” (SPIRIT) compares a company’s self-awareness about CR with the perception of stakeholders. Performance measurement is based on surveys which are customised to an individual firm, are addressed to relevant stakeholders, and are then evaluated using quantitative methods (MacMillan et al., 2004). Münstermann (2007) developed a similar method and applied it to two case studies.

Often perception measures are the preferred measures to assess CR-related performance, because real performance measures are so difficult to develop (Carroll, 2000: 473). Still, it is important to not solely rely on perception measures because rather than satisfaction, social impact should be measured (ibid.: 473f; Porter & Kramer, 2006: 91).

9.2.1.2.4 External Performance Evaluation through Rating Agencies

Driven by the SRI movement (cf. 5.2.3.6 in Part I), investors increasingly regard CR performance of companies as criterion in investment decisions. Whilst some larger financial institutions conduct CR screenings of companies (Waddock 2002/2006: 234), an ever increasing market of dedicated CR rating agencies and research institutes is developing worldwide, offering benchmarking and social screening services (WBCSD, 1999: 17f).⁶⁷

⁶⁷ Other instruments to evaluate a firm’s accomplishments in non-financial measures exist: First, this includes standards, certifications, and accreditations (Chatterjee & Levine, 2006: 50 fn. 8) like, for example, the

These agencies sell company screenings or entire rankings to banks and other investors (Waddock 2002/2006: 234; Waddock & Graves, 1997: 304).

Benchmarking and social screening services (or rating systems) usually result in *CR rankings* (Chatterjee & Levine, 2006: 31; Dillenburg, Green & Ereksion, 2003; Graafland, Eijffinger & Smid, 2004; Waddock, Bodwell & Graves, 2002: 137). Some of the agencies freely publish yearly rankings of important companies. In the following, I focus on rankings and indices from *well established* service organisations because they are regularly conducted (usually yearly) and often publicly available. Thus, they are measuring tools which are easily adapted by organisations for evaluating performance and continuous improvement. In contrast, benchmarking studies from other organisations may be irregular, one-off, or lack quantitative scales (Graafland, Eijffinger & Smid, 2004: 144). Some of the more popular public rankings include a ranking of German DAX-30 corporations excelled by Scoris (Mauritz & Wilhelm, 2005; Wilhelm, 2007); the “Good Company Ranking” addressing MNCs based in Europe (Kirchhoff, 2007); and the “100 Best Corporate Citizens” ranking based on data by KLD rating agency (Waddock, Bodwell & Graves, 2002: 137). An exemplary rating is given in Figure 37 on the following page.

Ratings are also used to establish *CR indices* for stock markets (Fowler & Hope, 2007a). The Sustainable Asset Management (SAM) group screens companies worldwide in order to compose the Dow Jones Sustainability Index (DJSI) (SAM & PwC, [2008]). Other sustainability indices are, for example, The Calvert Social Index, Ethibel Sustainability Index, FTSE4Good, and the Domini 400 Social Index (Fowler & Hope, 2007a: 246). Some of the above providers have united on international level to better serve multinational firms (Chatterjee & Levine, 2006: 47).

The *data for performance measurement* is usually based on management self-reporting of the analysed firms, for example, through sustainability surveys (Epstein, 2008a: 82). But because “measurement organisations should not rely solely on management to describe reality” (Chatterjee & Levine, 2006: 47), they may also regard external sources like press reports and surveys conducted amongst employees and other stakeholders (also: Graafland, Eijffinger & Smid, 2004: 144; Waddock & Graves, 1997: 308). Albeit rankings consist of several measured categories (Waddock & Graves, 1997: 307), ultimately, they often lead to one-dimensional, aggregated results on an interval scale (Graafland, Eijffinger & Smid, 2004: 137), for example, percentage values.

environmental management standard ISO 14000, or the CSR standard ISO 26000, which was planned to be published at the end of 2008 (Schoenheit, Wieland & Kleinfeld, 2006). Secondly, also *awards* given to companies with outstanding CR performance can be regarded as such external evaluation. However, both approaches result in “digital” results (approved or not approved) and are, thus, only of limited use for performance measurement.

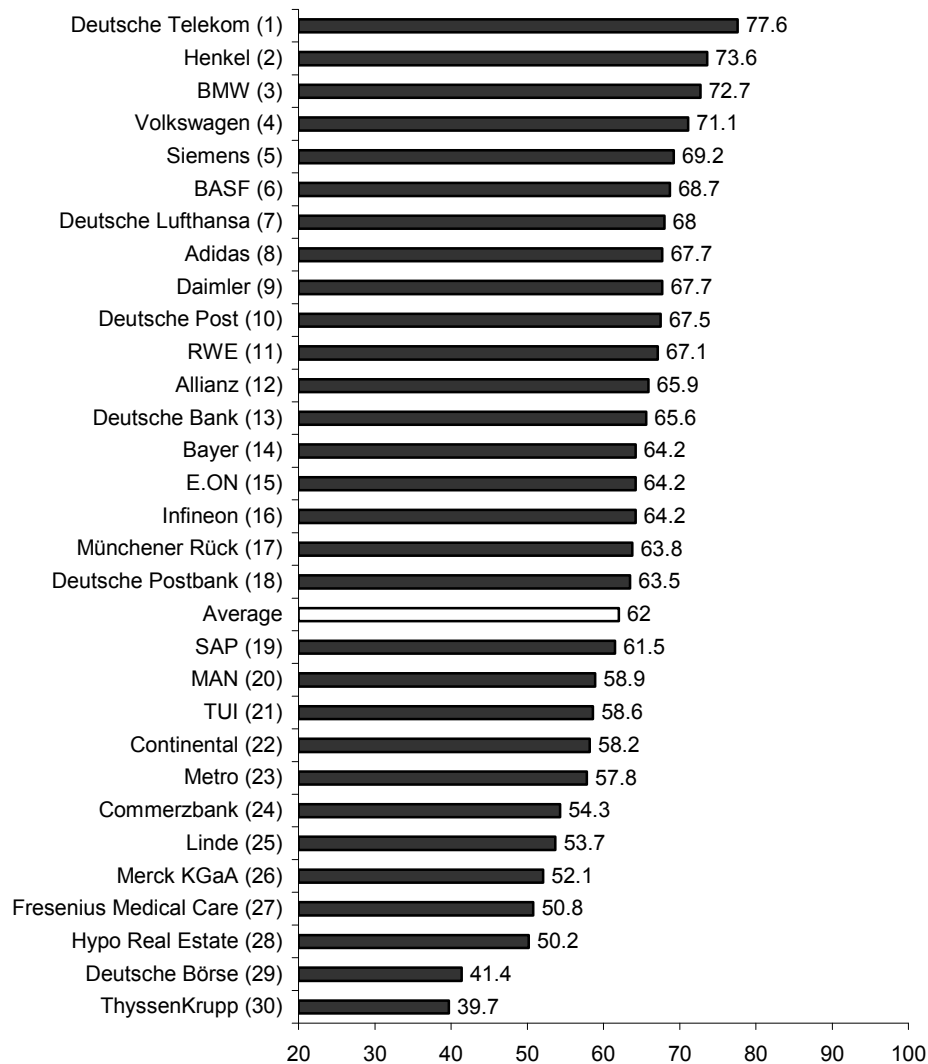


Figure 37 2007 CR Rating of German DAX-30 Companies by Scoris

Source: Wilhelm (2007: 6)

Firms leverage rankings and indices through various means. They can use available ranking results as simple benchmark. Additionally, they may buy detailed reports from rating institutions. The following Figure 38 gives a glimpse by showing a report summary⁶⁸ (the rating organisation uses a scoring model analogue to the financial rating system ranging from “A+” to “D-“).

⁶⁸ The entire rating of the sample company includes about 25 pages and gives more detailed information about the applied criteria and its assessment results (oekom research, 2008).

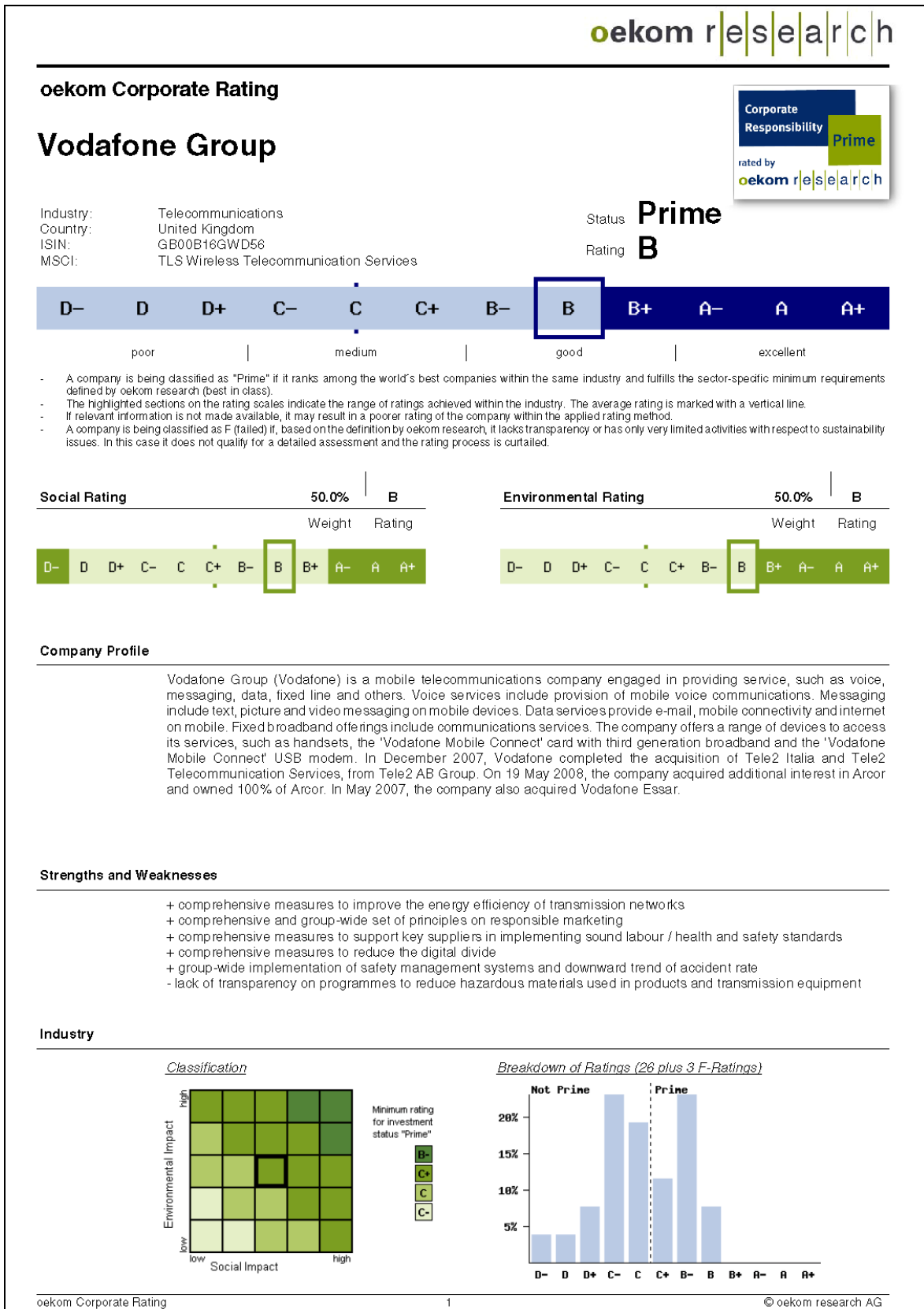


Figure 38 Summary of CR Rating of Exemplary Company

Source: oekom research (2008)

Ratings are subject to various *backdrops*:

- Fowler and Hope (2007a: 251) criticise that the methodology of ratings *lacks underlying research*.
- Furthermore, measurement systems often *lack transparency* (Chatterjee & Levine, 2006: 40–44). Whilst efforts into standardisation exist (AICSSR, 2006), measurement organisations use different weighting systems and different ways of data collection (e.g., some use qualitative, others quantitative criteria) and are, thus, not directly comparable (Chatterjee & Levine, 2006: 40–44; Graafland, Eijffinger & Smid, 2004: 142–144; Porter & Kramer, 2006: 81).
- Rankings can have *biases*. For example the Dow Jones Sustainability Index has a bias towards large companies and financial criteria (Fowler & Hope, 2007a: 251). Other measuring organisations overemphasise environmental aspects, due to its easier measurement compared to social aspects.
- As rankings are usually *depending on management self reporting* (Chatterjee & Levine, 2006: 47; Epstein, 2008a: 82; Porter & Kramer, 2006: 81), ratings may not be as independent as the measurement process managed by external providers may suggest. Also, the quality of firm assessment depends on the firm-internal efforts to retrieve necessary information from various (often decentralised) sources (Chatterjee & Levine, 2006: 32). Also, to take the perspective of rated companies, they are *increasingly over-surveyed* in regard to non-financial performance evaluations.
- Though one could argue that external performance evaluation replaces some of the internal metrics (and, thus, economises investments into these), at the same time, only proper internal metrics allow to respond to external data requests in a timely and efficient manner (ibid.: 47).
- Also, a wide range of philosophical problems (e.g., extrinsic motivation; weighing trade-offs; stakeholder prioritisation; pluralism of values) are subject to CR benchmarking (Graafland, Eijffinger & Smid, 2004: 140–142).

9.2.2 Strategic Performance Measurement Systems

Strategic performance management systems combine a large set of key performance indicators (Epstein, 2008a: 137) and, hence, are overall performance measurement systems (Olsthoorn et al., 2001: 455; Schaltegger & Wagner, 2006a: 6). Moreover, they link performance measurement to strategy (Epstein, 2008a: 137). Possible tools are the balanced scorecard and the model of the European Foundation for Quality Management (EFQM). Both approaches are described in the following two paragraphs.

9.2.2.1 Balanced Scorecard Approaches

The balanced scorecard (BSC) as defined by Kaplan and Norton (1996; 2001) is a tool to describe strategies in organisations and to measure performance in regard to these strategies. Accordingly, it is regarded both an instrument for day-to-day communication and performance measurement (Reichwald, Siebert & Möslein, 2004: 52). The BSC was originally introduced as a tool on the business unit level (Kaplan & Norton, 1996). However,

for small and medium size enterprises it also serves on the corporate level (Figge et al., 2002: 277). It was originally defined with four hierarchical perspectives: Finance; customer; internal processes; and learning and growth (the latter three perspectives are all instrumental to the financial perspective). Using these four perspectives, the BSC transcends the sole focus on financial indicators to also recognise aspects like, for example, customer satisfaction, employee skills, and organisational learning. A *sustainability balanced scorecard* (SBSC) then integrates social and environmental aspects into these four perspectives (Epstein & Wisner, 2001b: 8f; Figge et al., 2002; Morsing & Oswald, 2009: 92). Moreover, depending on the company's strategy, the BSC may be *extended with additional perspectives* (Kaplan & Norton, 1996: 34f), a suggestion followed by scholars to promote a dedicated sustainability perspective (e.g., Bieker & Waxenberger, 2002; Epstein & Wisner, 2001b: 6). Sometimes this perspective focuses on issues off core business and is then labelled "non-market perspective" (Figge et al., 2002: 274). Others, modified the traditional *hierarchy* by replacing the financial perspective at the top with a broader sustainability perspective (SIGMA, 2003b: 5) or by flanking the financial perspective with other perspectives (van der Woerd & van den Brink, 2004: 178). The following Figure 39 presents different architectures of SBSCs.

	Original number of perspectives	Additional perspectives
Same hierarchy	<ul style="list-style-type: none"> • (Traditional) balanced scorecard (Kaplan & Norton, 1996, 2001) • Sustainability Balanced Scorecard (Bieker et al., 2001; Epstein & Wisner, 2001a, 2001b; Figge, et al., 2001, 2002; Schaltegger & Dyllick, 2002; Wagner & Schaltegger, 2006)⁶⁹ 	<ul style="list-style-type: none"> • Integrity Scorecard (Bieker & Waxenberger, 2002)
Modified hierarchy	<ul style="list-style-type: none"> • SIGMA scorecard (SIGMA, 2003b) 	<ul style="list-style-type: none"> • Responsive Business Scorecard (van der Woerd & van den Brink, 2004)

Figure 39 CR-Oriented Extensions of the Balanced Scorecard

The following Figure 40 presents an exemplary SBSC in which CR aspects were integrated in both the four traditional perspectives (e.g., employee health and safety) and the non-market perspective (child labour). Thereby, the figure also indicates hierarchical linkages in the sense of a "strategy map" (Kaplan & Norton, 2004).

⁶⁹ According to Schaltegger and Dyllick (2002: 5f), both approaches stem from a joint research project of University of Lüneburg, Center for Sustainability Management (CSM) and University of St. Gallen, Institut für Wirtschaft und Ökologie (IWÖ-HSG) under support of INSEAD, Center for Management of Environmental Resources (CMER).

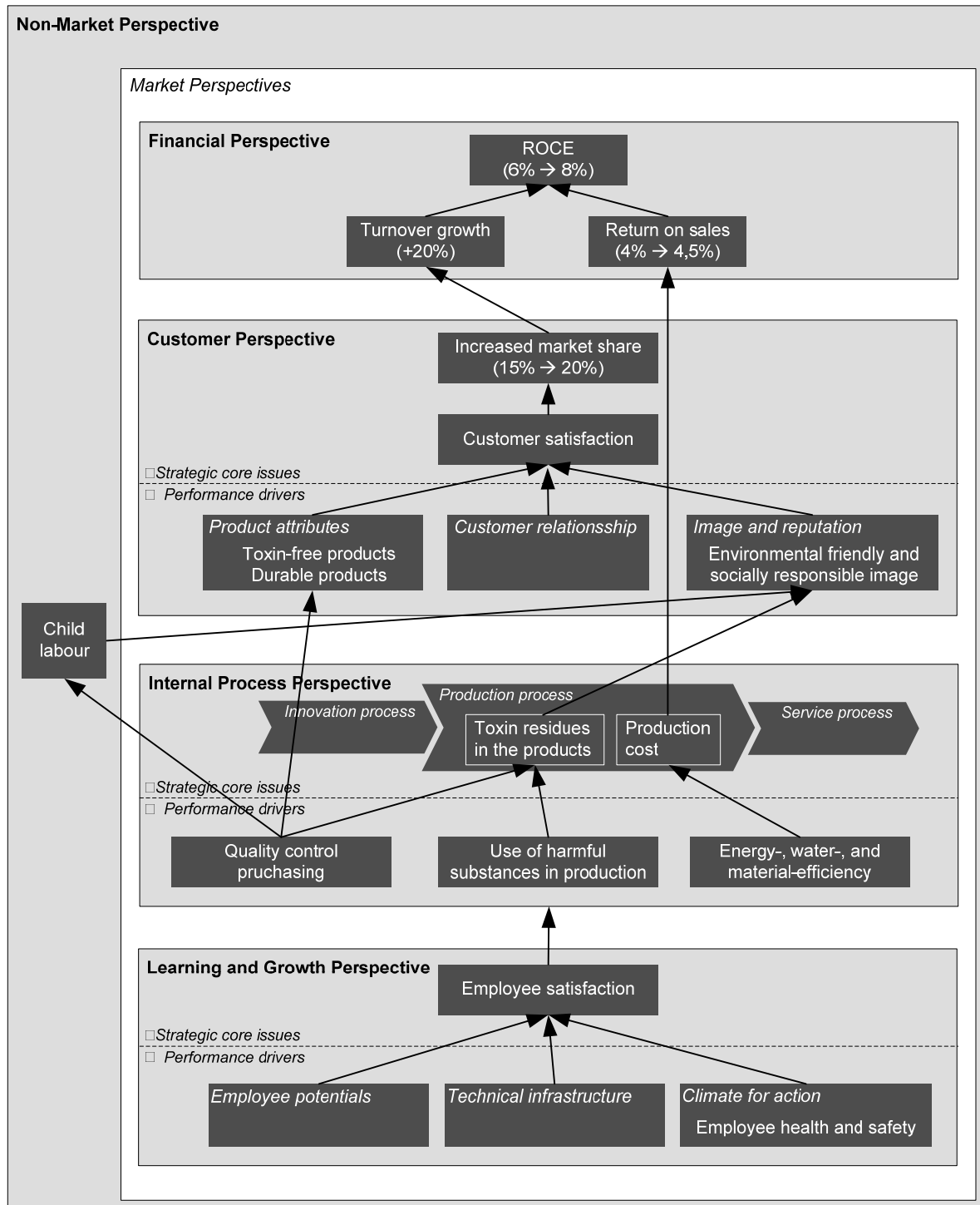


Figure 40 Strategy Map of an Exemplary Sustainability Balanced Scorecard

Source: Figge et al. (2002: 282)

Based on an established SBSC, firms can also derive scorecards focused entirely on sustainability aspects (Figge et al., 2002: 275), for example, for the use in the CR function (Epstein & Wisner, 2001b: 8). Also, cascading down scorecards from group level leads to dedicated scorecards for business or support units.

Case studies research in six large and medium sized organisations⁷⁰ (Schaltegger & Dyllick, 2002) reveals the maturity of the SBSC concept. Other case studies also report of SBSCs (Epstein & Wisner, 2001b; Nijhof et al., 2007: 163). Furthermore, Wade reports that Shell integrated CR in the scorecard on *group-level* (Wade, 2006: 232).

Empirical research also reveals *challenges* of scorecard approaches. For example, Möslein (Möslein, 2005: 185) cites executives saying that the use of the BSC concept was in the decline; another cynical voice stated that the BSC concept was like “Harry Potter” (also: Bieker et al., 2002: 362). Furthermore, some of the SBSC concepts from the above mentioned case study research were in fact not implemented (Bieker, 2005: 192) or not yet being implemented (ibid.: 260). Possible failures may stem from the absence of formulated strategies or from missing experience with a traditional BSC system (Bieker et al., 2002: 345–348)⁷¹.

9.2.2.2 EFQM Excellence Model

The European Foundation for Quality Management, inaugurated in 1988, aimed at developing a general management model rooted in the total quality management (TQM) paradigm of continuous improvement and self assessment (EFQM, 2003a, 2003b). Like other TQM approaches, the EFQM excellence model recognises the quality of the entire organisation instead of focusing narrowly on product quality. Moreover, in line with integrated quality management (Seghezzi, Fahrni & Herrmann, 2007), the model’s understanding of quality transcends organisational boundaries to also cover quality of society (EFQM, 2003a: 5, 8). The model was developed based on eight “fundamental concepts”⁷², with CR being one of them:

Excellent organisations adopt a highly ethical approach by being transparent and accountable to their stakeholders for their performance as a responsible organisation. They give consideration to, and actively promote, social responsibility and ecological sustainability both now and for the future. The organisation’s Corporate Social Responsibility is expressed in the values and integrated within the organisation. Through open and inclusive stakeholder engagement, they meet and exceed the expectations and regulations of the local and, where appropriate, the global community. (ibid.: 8)

The following Figure 41 depicts the EFQM model:

⁷⁰ Axel Springer Verlag; Berliner Wasserbetriebe; Flughafen Hamburg; OBI; Unaxis Balzers AG; and Volkswagen AG.

⁷¹ At the same time, Bieker (2002: 347) reports that an existing BSC can hinder integration of social and environmental aspects, when it is already widely established and the strategies and performance indicators are seen as fix entities.

⁷² The eight concepts are: Results Orientation; customer focus; leadership and constancy of purpose; management by processes and facts; people development and involvement; continuous learning, innovation and improvement; partnership development; and corporate social responsibility (EFQM, 2003b).

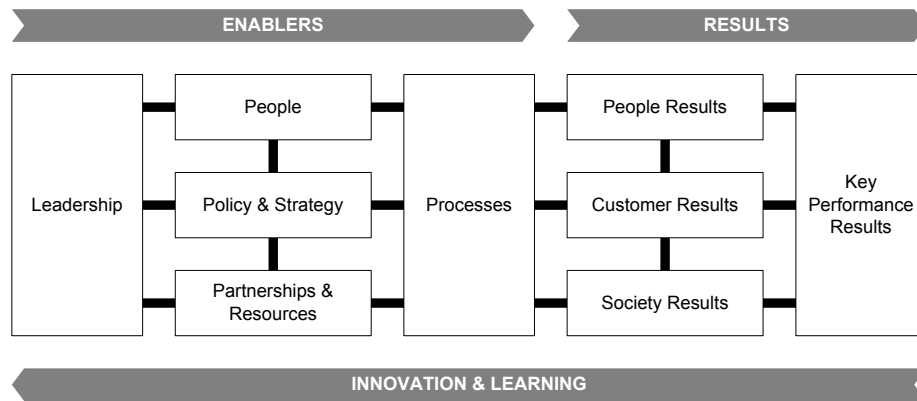


Figure 41 The EFQM Excellence Model

Source: EFQM (2003a: 5)

Rather than going into all the criteria's details, I will subsequently focus on the model's CR aspects. Two criteria explicitly address CR: The enabler "*Partnerships & Resources*" requires excellent organisations to manage their external partnerships and to "balance the current and future needs of the organisation, the community and the environment" (EFQM, 2003a: 14). "*Society results*" demand to "comprehensively measure and achieve outstanding results with respect to society" (ibid.: 15).

The CR content of the EFQM model described above is the result of a significant revision in 2003, initiated by the Sustainable Excellence Group (SEG), a group that today covers 15 companies based in Germany⁷³ (SEG & DBU 2006). Further, this group developed a "Sustainable Excellence" model that goes beyond the EFQM model by even stronger aligning the management model with CR (Albrecht, 2008: 83; SEG & DBU, 2006: 8). This is done by interpreting the nine EFQM criteria more strictly from the perspective of sustainable development (Albrecht, 2008: 59–61) and making previously optional elements mandatory (Table 14).⁷⁴

⁷³ Amongst the consortium, which consists of 15 mostly SME-sized companies, are Deutsche Telekom AG, W.L. Gore & Associates, TNT Express GmbH, and Fujitsu Microelectronics Europe GmbH (SEG & DBU, 2006: 18).

⁷⁴ A more detailed discussion is given in Steimle (2007) and Westermann, Merten and Baur (2003).

Mandatory elements of the Sustainable Excellence Model

- Orientation on ethical values
 - Responsibility for society
 - Long-term thinking to include future generations' rights and demands
 - Stronger involvement of stakeholders
 - Leadership concepts which regard demographic change
 - Global environmental protection
 - Material efficiency, and integrated product policy
 - Equal opportunity and diversity
 - Acknowledgement for global and local responsibility
-

Table 14 Mandatory Elements of the Sustainable Excellence Model

Source: SEG & DBU (2006: 8)

Albrecht (2008) *criticises* the EFQM model for the two reasons: First, the core EFQM model is not sufficiently aligned towards CR and requires the extension introduced by the Sustainable Excellence Group. Second, the model is very high-level, missing a link to operative management (and related indicators).

9.2.3 Performance Metrics on the Individual Level

The measurement of leadership performance is gaining increasing attention and is developing towards a challenging new research field (Reichwald, Siebert & Möslein, 2005: 196). Still, if leadership performance is difficult to measure in the traditional financial bottom line paradigm (ibid.: 196), it is even more complex under a triple bottom line paradigm. Already in earlier decades, Ackermann stated that “the process for evaluating and rewarding managers is not designed to recognize performance in areas of social concern” (1975: 52). Recently, however, researchers increasingly demand a change in respect to evaluation systems. Employee performance evaluation is required to transcend short-term measures (Epstein & Roy, 2001: 594) and to integrate CR into managers performance measures (Porter & Kramer, 2006: 91). The president of Novartis Foundation for Sustainable Development has a similar narrative:

“If it [CR] is simply the icing on the cake, everybody will talk about it at Rotary lunches or on Sunday mornings in church and then forget about it.” (Kumra, 2006: 82)

On the level of the organisation (cf. 9.2.1), I introduced different *performance levels* (inputs, processes, outputs, and impacts). On the level of the individual, the meaning of these terms sometimes differs:

- *Inputs* consider capabilities and efforts of a leader like, for example, traits, skills, knowledge⁷⁵, and networks (Möslein, 2005: 159).

⁷⁵ Skills and knowledge is also at the core of *leadership development* and, thus, treated in section 9.4.

- *Processes* refer to behavioural components describing how goals were achieved, allowing for a reflection on ethical or value compliant behaviour (Barsky, 2008: 70; Locke, 2004: 131).
- *Outputs* describes the success generated by a particular leader through inputs and processes (Barsky, 2008: 72; Möslein, 2005: 159). Because “real” individual performance is difficult to measure, leaders’ performance is predominantly derived from *organisational-level performance metrics*⁷⁶ (Reichwald & Möslein, 2005: 22).

New measurement instruments and tools are being developed (ibid.: 22). The following Figure 42 shows the use of performance instruments in MNCs.

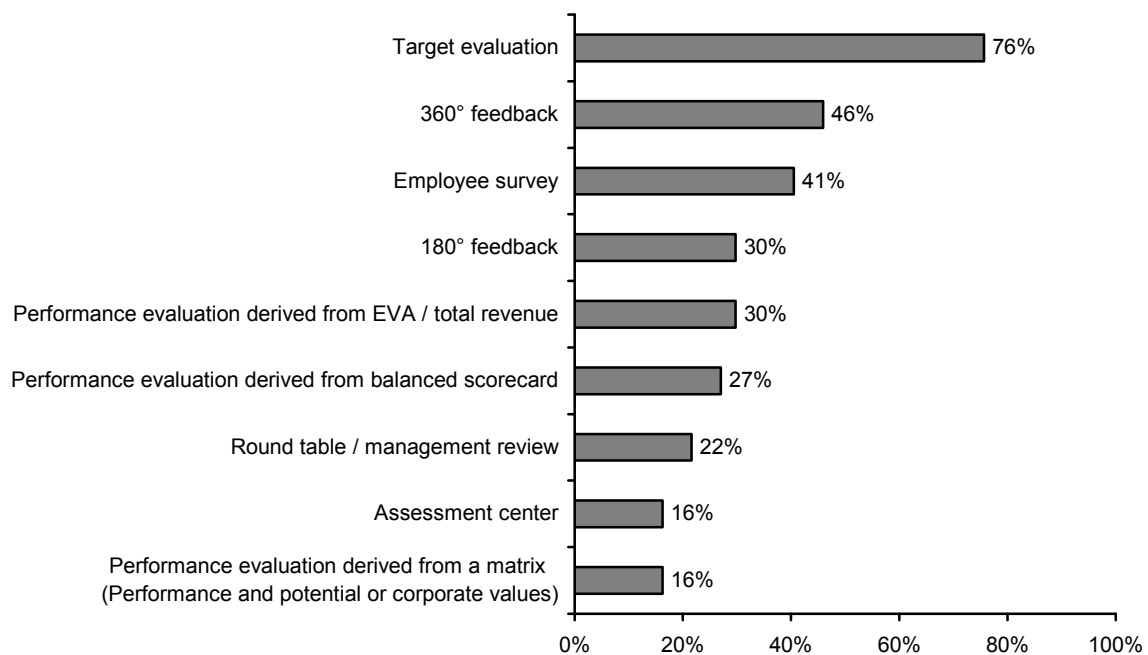


Figure 42 Leadership Instruments Used for the Evaluation of Leaders Across MNCs (% of firms; n=37)

Source: Reichwald, Siebert & Möslein (2005: 193)

As the previous figure demonstrates, target evaluation is the most frequently available tool in MNCs. According to Epstein (2008a: 130f), *qualitative evaluation* allows a more holistic judgement of individuals and, moreover, evaluation can adapt faster to changed conditions or priorities. He also promotes qualitative evaluation to assess the efforts of individuals for CR. The drawback of such “subjective measures” is that it heavily relies on ability and fairness:

Subjective evaluation can be the best performance measure when the person evaluating is competent, trustworthy, and committed—and the worst performance measure if any of these conditions are not met. A mix of objective and subjective measures for evaluation is the best approach. (ibid.: 131)

⁷⁶ This may also include the level of divisions or hierarchically lower units.

Based on experience of several decades with leadership development, Alexander and Wilson (2005: 142) further stress that *self-awareness* is key for leaders to achieve *integrity*. They, thus, promote feedback mechanisms like the *360 (or 180) degree feedback* with superiors, colleagues, and subordinates (Alexander & Wilson, 2005: 142; Treviño et al., 1999: 145). Of course, criteria for CR can be integrated into such assessment tools (Bhattacharya, Sen & Korschun, 2008: 42; Hirsch & Horowitz, 2006: 52; Pless & Schneider, 2006: 221).

Data about individual managers is also derived from *stakeholder surveys* (cf. 9.2.1.2). For example, CR and ethics-related aspects do also play a role in organisational *culture surveys* (Sackmann, 2006a: 19, 88, 95, 98) or *employee surveys* (Brunner, 2003: 34; Treviño et al., 1999: 145), which can also contain sets of questions directly linked to individual functions, units, or executives. For example, firm-internal surveys may investigate how far CR has been infused throughout the organisation (and individual units/teams). This is achieved by evaluating individual's knowledge and attitudes in regard to CR (Wade, 2006: 242).

A possibility to simultaneously consider individual and organisational indicators, is the use of *multidimensional measures* as, for example, "*performance evaluation derived from a matrix*" (Möslein, 2005: 202f; Reichwald, Siebert & Möslein, 2005: 193). This instrument combines (economic) organisational metrics and a qualitative evaluation. The qualitative part may include an assessment of leadership potential, compliance with corporate values (Reichwald, Siebert & Möslein, 2005: 193; Siebert, 2006: 298) or, more generally, with corporate culture (Möslein, 2005: 202f). Möslein finds that only 16 percent of MNCs use this type of evaluation (ibid.: 193). Siebert reports that about 40 percent of executives regard (compliance with) corporate values as important criteria to assess leadership performance. Slightly higher ranked is the criteria "interested in employees", which already reflects a "stakeholder-orientation" (Siebert, 2006: 235). About 64 percent of American executives state that values were linked to performance evaluation and compensation (AMA, 2002). Another tool to evaluate employees on multiple dimensions are balanced scorecards (Bieker & Waxenberger, 2002: 5; Reichwald, Siebert & Möslein, 2005: 193).

As indicated above, individual outputs are often measured in relation to organisational measures. For example, evaluation derives from financial indicators like firm profits (Reichwald, Siebert & Möslein, 2005: 193). This further reflects the importance of developing and introducing a CR-oriented performance management on the organisational level (cf. 9.2.1). By combining the idea of the matrix evaluation with the proposed shift from narrow economic to a wider CR-oriented understanding of corporate performance as well as by acknowledging the available organisational and individual-level metrics presented above, a larger set of options for assessing individual leaders emerges (Figure 43).

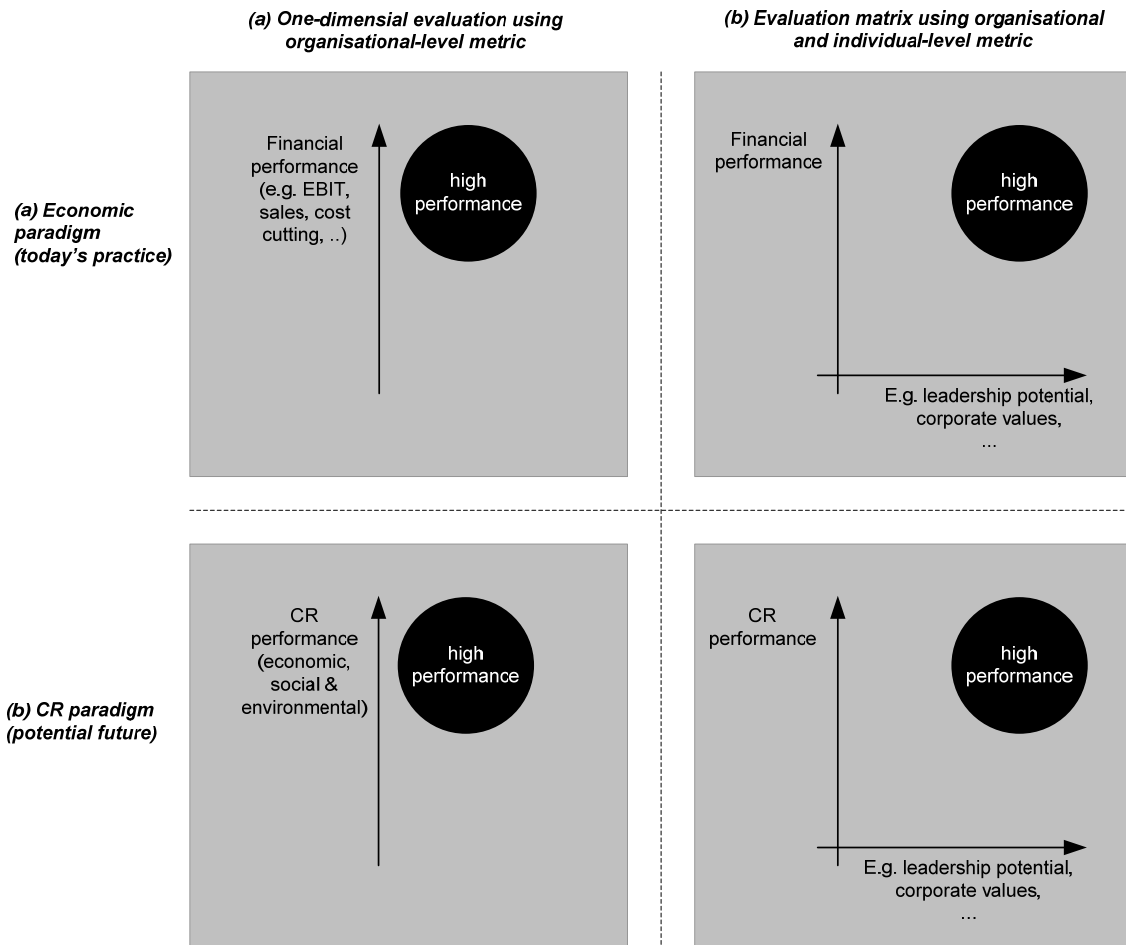


Figure 43 Current and Potential Future Criteria for the Assessment of Leaders

9.2.4 Summary

I reviewed literature in regard to three types of leadership instruments, namely performance metrics on organisational level, performance metrics on individual level, and strategic performance measurement systems. The identified leadership instruments and actual examples are presented in the following Table 15.

Type of instruments	Subtype of instruments	Exemplary instruments
Performance metrics on organisational level	<ul style="list-style-type: none"> Individual performance indicators Group of key indicators Aggregated performance indicators Stakeholder surveys/perception measures External performance evaluation 	<ul style="list-style-type: none"> GRI indicators LBG community involvement indicators Sustainable Development KPIs (SD-KPIs) Life-cycle assessment Sustainable Value Employee survey Customer survey (External) stakeholder survey Sustainability rankings and indices
Strategic performance measurement	<ul style="list-style-type: none"> Sustainability balanced scorecard EFQM model 	<ul style="list-style-type: none"> Sustainability BSC Integrity BSC EFQM (original model) Sustainable Excellence Group's EFQM model
Performance metrics on individual level	<ul style="list-style-type: none"> Feedback mechanisms Performance evaluation by a matrix 	<ul style="list-style-type: none"> 180/360 degree feedback Culture surveys / employee surveys Performance–values matrix

Table 15 An Overview of Leadership Metrics

9.3 Leadership Deployment

According to the generic leadership system research, leadership deployment covers all kind of consequences from leadership metrics (Reichwald, Siebert & Möslein, 2005: 189). This covers incentive and reward systems of different nature: On the one hand, implicit (intrinsic) and explicit (extrinsic) and, on the other hand, monetary and non-monetary instruments (ibid.: 189; Siebert, 2006: 254). Considering the focus of this work on policies, systems, and structures, I focus on extrinsic rewards (Deci, 1976), though acknowledging that both intrinsic and extrinsic reward should be well coordinated (ibid.: 71).

Whilst it is seldom the case (Möslein, 2005: 200), incentive and reward systems should be *linked to performance measurement* (Deci, 1976: 71; Epstein, 2008a: 127; Möslein, 2005: 161). Different *target metrics* are possible (Möslein, 2005: 202). On the one hand, economic metrics (e.g., EBIT, turnover) are considered. On the other hand, it is important to consider non-economic metrics (e.g., individual leadership styles; fit with corporate culture; and code-compliant behaviour). For example, results from a 360-degree feedback process could be linked to incentives and compensation (ibid.: 202).

I am interested in these non-monetary target metrics so far they are related to CR. However, already in the 1970s, Ackermann recognised that social concerns are not part of reward systems (1975). However, these systems are important because “the reward system created by a leader indicates what is prized and expected in the organization” (Sims, 2000: 71). Thus, the “morality of top managers will be reflected in the system of incentives and sanctions employed by the firm” (Jones, 1995: 418). Incentive and reward systems reinforce values and guidelines (Logsdon & Yuthas, 1997: 1223) and, through this means, advance ethical conduct (Treviño, Butterfield & McCabe, 1998: 447) and overall CR (Epstein, 2008a: 52; Kirchgeorg, 2004: 661; Salzman, 2006: 189; Wieland, 2004: 14). Several decades back, a majority of 62

percent of managers already stated that the “equalisation of managerial rewards and punishments for social performance with those for financial performance” would make firms more socially responsible (Brenner & Molander, 1977: 70). Whilst one is inseparable from the other, researchers stress the need for appropriate *incentives*, on the one hand (Jones, 1995: 418; Porter & Kramer, 2006: 91), and *appraisal or reward systems*, on the other hand (Epstein & Roy, 2003a: 19; Strand, 1983: 94; Treviño, Hartmann & Brown, 2000: 141). Incentives and rewards for CR can be both *monetary* and *non-monetary* (Bieker, 2005: 142; BMU, econsense & CSM, 2007: 45; Walker, 2004: 74), which will be the subject of the following subsections.

9.3.1 Monetary Incentives and Compensation

9.3.1.1 Incentives and Compensation Based on CR Metrics

Monetary incentives and compensation is usually bound to *salary or bonuses* (Huff & Möslein, 2004: 259) and *stock options* (Mahoney & Thorne, 2006: 159). They are more frequently used than *non-monetary* incentives (Huff & Möslein, 2004: 259; Möslein, 2005: 201). The integration of CR into incentive and compensation is increasingly important (Lockwood, 2004: 8). In “heavy industries”, *safety* is important. In the chemical industry, for example, executive bonuses depend on metrics like the number of accidents or incidents (Schindel, 2003: 13). Also, *resource efficiency* (e.g., energy, water, and waste) and reduction of emissions related to climate change are possible links (Epstein, 2008a: 133). In consumer goods industries, *diversity* is more popular (WEF & IBLF, 2003: 24). Across industries, further links to compensation include *compliance with business codes* (Mahoney & Thorne, 2006: 159; WEF & IBLF, 2003: 23) and the *provision of employee community involvement* projects (PLF & BCCCC, 2005: 7). However, it seems that companies do not yet use “overall sustainability criteria” in the incentive system (Brunner, 2003: 33).

Sustainability-oriented incentive pay is applied to different *hierarchical levels*, namely top management (BITC, 2003: 7; WBCSD, 2006: 30), line management (IBLF & SustainAbility, 2001: 29), and overall staff (Wade, 2006: 232). This is usually based on *variable pay* with specifics on each level:

- If CR is made an integrated part in measurement of corporate-level performance (cf. 9.2.1), *all* staff receiving a variable component is also compensated with respect to CR. In an exemplary firm, CR amounts for 20 percent of corporate performance (ibid.: 232).
- Also, CR can be incorporated into compensation schemes of *selected groups*. In this case, employees from certain functions or management levels receive a share of incentive pay dedicated to CR.

The *actual* share of CR in employee compensation then depends on the ratio between fix and variable pay of each employee. Virtually any share is possible, depending on the importance of the issue, management level, and function (Cogan, 2006: 210,234; Doppelt, 2003; Epstein, 2008a: 133f). Doppelt (2003: 222) suggests to base employee reward systems on a differentiation into low and high CR performers. Some firms use an *environmental or sustainability multiplier* to calculate the actual variable pay (Epstein, 1996).

An overview of *empirical studies* revealing the scope of CR-oriented incentive systems is given in the following Table 16. Whilst the diverse studies come to different results, generally, 10 to 20 percent of the companies do integrate CR into such systems. Whilst these results give a generic insight, only one of the studies gives information on the scope of integration *within* the firm. This latter study finds that in less than ten percent of the firms, more than three percent of the workforce stay under a regime of variable pay related to CR (WEF & IBLF, 2003: 23).

Source (by date)	Type of evidence	Result
WEF & IBLF (2003: 23) in reference to a survey by SAM (2002)	Survey n=1336 (firms); global; cross-industry	Employee remuneration linked to code of conduct: 11% In 9% of the firms more than 3% of the workforce receives variable compensation linked to CR
Lockwood (2004: 8) in reference to Muirhead et al. (2002)	Survey; CR managers, CEOs, and board members of >700 firms	68% of global managers see the link between CR and performance appraisal as “increasingly important” and 50% do or plan to integrate CR into performance evaluation
Hahn & Scheermesser (2004)	Survey n=195 (firms); Germany;	For 25% of their empirical field (“sustainability leaders”), sustainability-oriented incentive systems ⁷⁷ play an important role
Steger (2004: 57)	Survey n=945 (general managers)/ n=123 (CR managers); global	Sustainability linked to reward and punishment systems: 14% / 21%
Bieker (2005)	2 case studies (firms)	No integration
Kelly et al. (2005: 8)	Survey n=365 (senior executives); global; (also: 20 phone interviews)	Values are part of performance appraisals (77%); This is regarded as a “most effective” practice by 43%
Mahoney & Thorne (2005)	Panel analysis; in 90 of the largest 100 firms in Canada	Certain aspects of CR (especially product stewardship) related to CEOs long-term compensation
Mahoney & Thorne (2006)	Statistical analysis of public data in 69 of the largest 100 firms; Canada	Executive compensation influences CR, in particular contingent compensation (bonus and stock options)
Wade (2006: 232)	1 case (self reporting)	Integration in group-level scorecard with a weight of 20% with impact on pay of employees
Wilson, Lenssen & Hind (2006: 14)	Survey n=108 (executives); Europe	“Responsible leadership” integrated into pays and rewards (37%)
Economist Intelligence Unit (2007: 19)	Survey n=1164 (executives); global	executives’ remuneration linked to sustainability targets: 18% (North American and Asian firms ahead of European)

Table 16 Empirical Evidence on CR-oriented Compensation

9.3.1.2 Long-term Incentives

The literature presented so far addresses the integration of (*non-financial*) CR issues into incentives and compensation systems. However, CR can also be facilitated by more generally transcending the focus on short-term incentives to also regard longer-term (financial or non-financial) incentives. *Long-term incentives* help to prevent managers from “trade-offs between measurable goals for which they are rewarded in the short-term and [long term CR] goals for which returns are not immediately obvious” (Urbany, 2005: 180; also: Metzger, Dalton & Hill,

⁷⁷ They, however, do not further specify what they define as an “incentive system”.

1993: 33). Even from a shareholder value perspective, long-term incentives are of advantage for the firm and its owners (Falck & Heblich, 2007: 253). Thus, a combination of rewards for long-term CR *and* short-term profits is more adequate (Möslein, 2005: 202f; WBCSD, 2006: 30). Yet, this is a challenge of education because shareholders and analysts, on the one hand, and management, on the other hand, have to be convinced that a long-term perspective is the right way to go (WBCSD, 2006: 30). Another way to transcend short-termism is the application of group incentives in contrast to individual incentives (Siebert, 2006: 243).

Managers warn to not over estimate incentive and reward systems (Möslein, 2005: 202f). Researchers back this critique with at least four *critical points*: *First*, intrinsic motivation for CR (Bieker, 2005: 202; Kirchgeorg, 2004: 661) is undermined by extrinsic incentives and rewards systems (Epstein, 2008a: 134; Jones, 1995: 428; Pfeffer, 1998: 116):

“[A] sanctioning system changes the reason for cooperating: without a sanctioning system, individuals cooperate because they have an intrinsic desire to do the right thing, but when a sanctioning system is in place, that intrinsic motivation is replaced by an extrinsic motivation to behave in accordance with the payoff structure.” (Tenbrunsel, Smith-Crowe & Umphress, 2003: 299)

Second, incentives and rewards may lead to entirely different or even opposing behaviour than intended (Metzger, Dalton & Hill, 1993). Also, linking goals with rewards increases pressure to reach the goal, hence, nurturing irresponsible conduct (cf. 9.1.4.2).

Third, some state that the real challenge for CR integration is seldom the introduction of appropriate incentive systems but the *linkage to adequate performance metrics* (Epstein, 2008a: 127; IBLF & SustainAbility, 2001: 27; cf. section 9.2). At the same time, Möslein (2005: 200) states that consequences are rarely based on existing performance evaluations. Further, Tirole (2001: 26f) argues that there are no reliable measures for responsible business conduct which could be integrated into compensation systems. Thus, he follows that *flat* managerial compensation is best to address the challenges of CR because it stops over-emphasis of financial goals.

9.3.2 Non-Monetary Incentive and Reward Systems

Incentives and rewards for responsible business conduct do not have to be strictly monetary (Logsdon & Yuthas, 1997: 1223), but can also be non-monetary. In fact, as reviewed above, relatively few organisations have built CR performance into monetary rewards and bonus systems. In the absence of such systems, non-monetary incentives and rewards become more important (Steger, 2004: 59; Walker, 2004: 74). This resonates with findings by Pfeffer that “people do work for money — but they work even more for meaning in their lives” (Pfeffer, 1998: 112).

At the same time, non-monetary incentives are challenged: Overemphasis of non-monetary aspects is critical because employees expect *consistency between monetary and non-monetary rewards* (Locke, 2004: 131). Another point is that, in contrast to monetary mechanisms, non-monetary incentives are seldom linked to rigorous performance measurement (Huff & Möslein, 2004: 259). Also, Möslein (2005: 200) finds that consequences (both non-monetary and monetary) are seldom transparent and comprehensible.

Non-monetary incentives and rewards cover, first of all, “recognition and praise” (Minkes, Small & Chatterjee, 1999: 332), “commendation” (Logsdon & Yuthas, 1997: 1223), and “emotional benefits” (Walker, 2004: 74). However, these are informal elements and, thus, not the scope of the present work. Formal non-monetary incentives and rewards in the sense of this work are *award schemes*, *leadership groups*, *community involvement schemes*, and *career planning*, which are all described in the following paragraphs. *Compliance mechanisms*, which deal with *negative* consequences, are dealt with in the next subsection.

9.3.2.1 Award Schemes

Awards incentivise special contribution and recognize high-performing members of the organisation (Treviño, 1990: 210). Awards can also be important to feedback on and encourage CR-related activities (Bhattacharya, Sen & Korschun, 2008: 42; Epstein, 2008a: 133). Such awards are often attributed to teams or individuals, and sometimes include a monetary dimension (Epstein, 2008a: 132f). Awards help to communicate and create internal awareness (Brunner, 2003: 33). Moreover, *award ceremonies* are symbolical events or rites demonstrating what an organisation thinks to be right and wrong (Treviño, 1990: 209f). Awards either address CR explicitly (Bieker, 2005: 142; Eckelmann, 2006: 209) or focus on the areas of environment (Bieker, 2005: 203), safety (WEF & IBLF, 2003: 23), and community involvement (PLF & BCCCC, 2005: 35; Tuffrey, 1998: 17). Another possibility is to reorient awards originally unrelated to CR. For example, Steger (2004: 57) finds that CR-oriented innovation awards are a frequently used tool to nurture CR in the organisation. In contrast, Bieker (2005: 202) finds that criteria for such awards are often limited to the technological and economical sphere. Overall, a survey amongst 31 CEOs of MNCs shows that a third of the respondent companies use awards in one of the forms introduced above (WEF & IBLF, 2003).

A predecessor of awards schemes are *employee suggestion schemes* (Carrier, 1998; Fairbank & Williams, 2001; Neyer, Bullinger & Möslein, 2009) which can also be instrumental to address CR (BMU, econsense & CSM, 2007). The aim here is to collect ideas which explicitly address improvements concerning at least one of the CR dimensions and to honour these ideas with awards (Schindel, 2003: 11). More recently, idea collection is achieved through *methods of open innovation* like idea contests (Neyer, Bullinger & Möslein, (forthcoming)), also in the domain of CR (Nijhof et al., 2007: 163).

Despite the positive aspects of awards, their *impact is limited* when used in isolated fashion. They can only be effective when CR is also recognised in performance evaluation and appraisal systems covering a larger group of managers and employees (Epstein, 2008a: 133).

9.3.2.2 Leadership Groups

Another non-monetary incentive and reward is *membership in a group* in the sense of what Möslein calls “senior leadership groups” (2005: 204). This refers to a dynamic group of executives, carefully selected according to their performance and potential — independent from the organisational structure. Being a member of a leadership group is a high distinction. In the firm analysed by Möslein, the group consists of 300 leaders of which 30–40 are

exchanged each year. In order to use the concept of leadership groups to promote CR, two possibilities are at hand:

- *General Leadership Group*. The criteria to become member of a leadership group could be modified in a way to also include CR performance. In this way, only leaders with a considerable reputation for CR (in addition to traditional performance) would be provided with a membership. Also, in cases of irresponsible conduct, membership would be cancelled.
- *Dedicated CR Champion Networks*. It is increasingly common practice that CR experts meet on cross-functional bodies like CR committees (cf. 10.2). This is, however, in responsibility of the formal CR body and, concerning participation, it is limited to a selected number of department heads. Hence, it does not work as “incentive”. The concept of leadership groups better applies to a larger network of individuals engaging in CR-oriented change. Such “corporate responsibility champions networks” (Doughty Centre, 2009), “sustainable development networks” (Wade, 2006), or “sustainability transition teams” (Doppelt, 2003: 108ff) are formal or informal structures existing in parallel to existing CR bodies (Doughty Centre, 2009: 8). They consist of people appointed for having sufficient power, skills, and credibility for bringing CR-oriented change through the entire organisation (Doppelt, 2003: 108ff). Being member of champion networks can be honourable for various reasons: Because they are accompanied by senior leadership “sponsors” (ibid.: 115); get special training (Doughty Centre, 2009: 8); or receive information earlier than others (Wade, 2006: 240).

9.3.2.3 Employee Community Involvement

As an important element of corporate community involvement (cf. 4.2.2 in Part I), *employee community involvement* (Burke et al., 1986: 135; Graff, 2004: 5; Tuffrey, 1995, 1998) enables employees to actively involve in local communities. Before presenting specific instruments, I clarify the role of employee community involvement (ECI) in its sense as a (non-monetary) *incentive and reward*: Traditional incentive policies aim predominantly at economic business impacts; in contrast, ECI policies want to “stimulate employees to volunteer” (de Gilder, Schuyt & Breedijk, 2005: 144) in order to achieve societal progress in local communities. Under this aim, ECI policies usually address a broader group of employees. Also, it does not necessarily work with goals and, accordingly, neither with negative consequences in case of goal failure. Potential “rewards” for employees engaging in community involvement include better work/life balance (PLF & BCCCC, 2005: 24), travel to (international) project locations (Hills & Mahmud, 2007), new skills development (de Gilder, Schuyt & Breedijk, 2005: 145) (cf. 9.4.2.3), and provision of meaning or purpose (PLF & BCCCC, 2005: 29). An ECI policy is also instrumental for business success, though indirectly through the business case (e.g., reputation, employee motivation). The following Figure 44 contrasts traditional incentive policies with ECI policies.

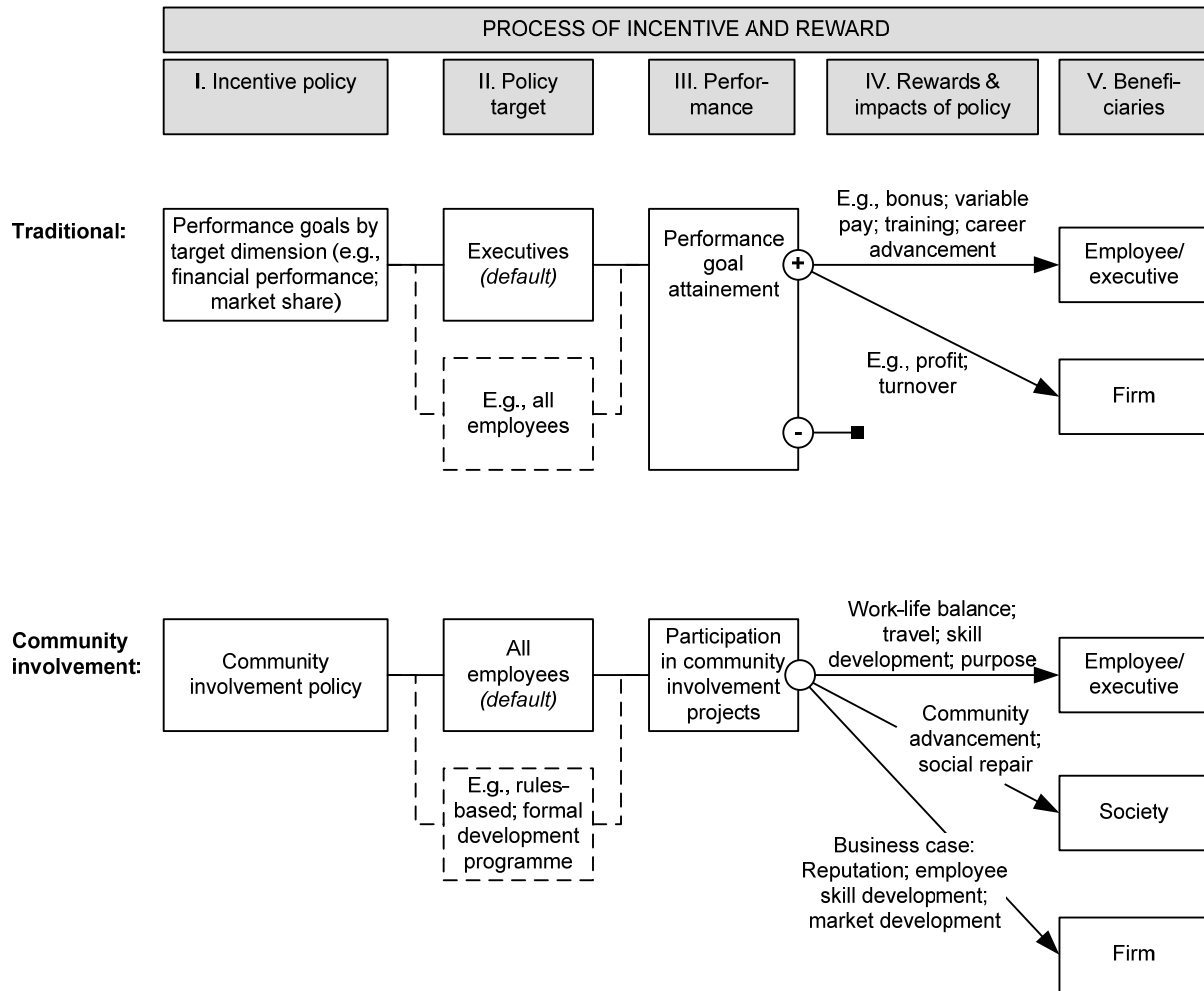


Figure 44 Community Involvement as Incentive

Employee community involvement directs virtually all hierarchical levels, including clerical and support staff, on the one hand, and supervisory or managerial positions, on the other (Tuffrey, 1998: 7). *International* volunteering programmes (Hills & Mahmud, 2007) also address employees of local subsidiaries (“local service”) or enable employees from headquarters to volunteer abroad (“cross-border services”).⁷⁸ ECI can either take place in company time, in the employee’s own time, or as a mixture of both (Tuffrey, 1998: 21). ECI schemes ideally achieve a triple win situation by successfully aligning corporate priorities, employees’ interests, and community needs (PLF, 1999: 15). The following Table 17 lists possible types of ECI programmes.

⁷⁸ Cross-border services were first offered by Accenture (in 1999) and PriceWaterhouseCoopers (in 2000) and were followed by programs of Starbucks, Pfizer, HSBC, TNT, Cisco, Timberland, GE, BD, and Ernst & Young (Hills & Mahmud, 2007: 14).

Type of programme	Description/example
Full time, short-term secondment (social internship)	E.g., a break between several weeks and few months to undertake a particular task, with continuous employment and a guaranteed return
Full time, long-term secondment	A career break of several months, carrying out a general function in a charity, with continuous employment and a guaranteed return to the employee
Part time project assignment (individual)	E.g., a release for 100 hours during working time over three months to undertake a specific project in a community group, often contributing a specific skill
Part time project assignment (team)	As with an individual assignment, but with a group of staff doing various elements of a large project, often contributing specific skills
Social apprenticeship	Integration of social aspects into apprenticeship programmes (like they exist especially in Germany), for example, a one month module of technical apprentices in a workshop for the handicapped
Work-place community activity	Acting as a guide to a visiting group of school children or supervising a work-experience placement
Management committee/trustee	Positions a wide variety of non-executive positions such as school governor or charity treasurer
Mentoring	Consulting or coaching of a dedicated member of an NGO or other social institution
One-to-one support	Working with individuals such as school children or young ex-offenders, as a personal mentor, advocate or tutor
Team volunteering ('challenge' events)	A team of staff working to achieve a specific exercise, such as collecting food and clothes for homeless people, or undertaking an environmental or educational project
Individual volunteering	Any personal voluntary activity in the service of the community, often contributing time although sometimes a specific skill too

Table 17 Programmes for Employee Community Involvement

Source: Based on Tuffrey (1995: 9; 1998) and VIS a VIS (2008: 8f)

Overall, in Germany, 32 percent of companies⁷⁹ offer volunteering programmes (Backhaus-Maul & Braun, 2007: 8). In regard to large-scale enterprises with more than 10,000 employees worldwide, a recently updated study finds that about fifteen companies⁸⁰, of which seven are listed in the German DAX, offer employee volunteering programmes (VIS a VIS, 2008: 77–144).

Besides top-down ECI programmes, a *bottom-up approach* is also possible through “*matching*” schemes” (Koch, 1977: 10, 13). Instead of pushing an own corporate agenda, in this approach, the firm supports *existing* community involvement initiatives of its employees, by “matching” their involvements. Possible support by the company includes in-cash spending (“grant matching”) (Burke et al., 1986: 138), the offering of allowing flexible working times and secondments, and the provision of corporate infrastructure for the employee’s community work (Pinter, 2006: 49). Recognition of these types of employee engagement can be further strengthened through internal communication, awards, or through the integration into employee’s target agreements (ibid.: 49). On a higher level, managers can be incentivised to provide ECI schemes to their employees (PLF & BCCCC, 2005: 7).

⁷⁹ Companies included have either more than 20 employees or more than 1 Mio. Euro in annual sales.

⁸⁰ These include: ABB, Bayer, Deutsche Bank, Deutsche Telekom, E.ON, Henkel, and Siemens. Just recently another German DAX company joined this group, namely Allianz AG (Läscher, 2008).

ECI and, more generally, CCI is also being *criticised*: Hamil (1999: 6, 21) discusses in how far CCI is in line with shareholder interests. Also, CCI is sometimes used to divert stakeholder attention from unjust practices (ibid.: 19). Further, firms themselves may not have the necessary experience in dealing with complex societal issues (Habisch, 2006: 93; Moore, 1995: 172) which can, however, be overcome through (NGO) partnerships (Nijhof, de Bruijn & Honders, 2008; Tracey, Phillips & Haugh, 2005). A drawback of ECI in the form of *matching schemes* is the entirely unstructured way of how corporate donations are distributed because virtually each individual employee can decide on the beneficiaries of community involvement (Porter & Kramer, 2002: 58).

9.3.2.4 Career Planning

If systematically linked with metrics, career planning is also an incentive and reward (Huff & Möslein, 2004: 259f; Möslein, 2005: 201).⁸¹ An effective approach to facilitate CR is to make the *promotion of line management* dependent on the achievement of social and environmental objectives (Doppelt, 2003: 222; IBLF & SustainAbility, 2001: 29; Wade, 2006: 241) or on a “sustainable mindset” (Wirtenberg et al., 2007). Thereby, some insights can be drawn from values-based approaches: Conger and Fulmer (2003) find that best-practice organisations typically use a *two-dimensional matrix* for succession management planning, including a “soft” dimension like values or behaviour next to a “hard” dimension like financial performance (cf. 9.2.3 for details on matrix-based performance evaluation). The weighing of the two dimensions differs:

- One group of companies makes values come first. For example, by prioritising (formalised) values before business results at succession planning meetings (Treviño, Hartmann & Brown, 2000: 141).
- Another group of companies makes a balanced decision based on business results *and* values (Fulmer, 2005: 48; IBLF & SustainAbility, 2001: 21).

Another instrument for integrating CR with career planning is the appointment of “*business practice officers*” being especially accountable for CR in their business unit; being appointed for this job is an indication that an employee is on the fast track into senior management (Seidman, 2004: 138 #407). Another incentive integral to career advancement is participation in *leadership development programmes* (Huff & Möslein, 2004: 259). A large set of development programmes with a CR-orientation are presented in subsection 9.4.2.

In contrast to career advancement in case of responsible behaviour, there is also the need for (negative) *sanctions in case of irresponsible behaviour*. Formal compliance mechanisms, which I will describe in the next subsection (9.3.3), are increasingly used to detect irresponsible behaviour and handle sanctions. Possible sanctions include avoidance of employees (Jones, 1995: 419) or dismissal (ibid.: 419; Strand, 1983: 94; Treviño, 1990: 225) when business codes are violated (Metzger, Dalton & Hill, 1993: 31; Paine, 1994: 115;

⁸¹ Even though career planning may ultimately turn into a financial gain, I still regard it as non-monetary incentive. This is because the mechanism takes effect already during the time when advancement is only a plan for the future, with no ultimate evidence on actual advancement. At the same time, career advancement is not necessarily linked to financial benefits.

Schwartz, 2002: 31). In case of a major ethical crisis, an “ethical turnaround” may require to dismiss all employees even remotely connected to the crisis and to decline promotion of leaders not in line with ethical principles (Sims, 2000: 73f).

Aligning career advancement with CR bears its own risks: Removing employees from the career track can result in “unfair dismissals” (Matten & Moon, 2008: 412). Accordingly, dismissals should be handled with care.

9.3.3 Compliance Mechanisms

Researchers acknowledge that there are two perspectives on managing responsibility: A *values-oriented and a compliance-oriented perspective* (Paine, 1994; Thomas, Schermerhorn & Dienhart, 2004: 63; Weaver, Treviño & Cochran, 1999: 42). The former aims for “member identification with and commitment to organizational goals and values” (Weaver, Treviño & Cochran, 1999: 42), whilst the latter has a coercive orientation and emphasise rules, employee monitoring, and disciplining misconduct in order to demonstrate seriousness about values and CR rhetoric (Logsdon & Yuthas, 1997: 1223). Whilst the values orientation should prevail (Treviño et al., 1999: 146), consensus exists that both perspectives are complementary (Paine, 1994; Treviño & Nelson, 2006: 189f; Treviño et al., 1999: 145; Urbany, 2005: 169); in other words, positive and negative consequences are both required (Möslein, 2005: 206). In the remainder of this section, I focus on the compliance orientation.

Before going into details, it must be understood that the *scope of compliance* can differ. Compliance *in a narrower sense* regards legal compliance, i.e. “to prevent, detect, and punish legal violations” (Paine, 1994: 106). *Compliance in a wider sense*, as other authors use it (SIGMA, [2003]: 14; Tenbrunsel, Smith-Crowe & Umphress, 2003: 288; Weaver & Treviño, 1999: 42), means that prevention, detection, and punishment transcends the legal space to regard all kinds of organisational rules, such as business codes, values statements, and mission statements (cf. 9.1). I follow the wider sense and use the following definition:

“Compliance means the duty to comply with standards to which an organisation is voluntarily committed, and rules and regulations that it must comply with for statutory reasons” (SIGMA, [2003]: 14)

Compliance is managed through *compliance mechanisms* or *punishment systems* (Brown & Treviño, 2006: 597; Jones, 1995: 418; Tenbrunsel, Smith-Crowe & Umphress, 2003: 288; Treviño, Brown & Hartmann, 2003). In an empirical study, Kolk et al. (1999) analyses compliance mechanisms with respect to business codes in 84 large MNCs. They regard *compliance mechanisms* as an umbrella term for the following elements: Monitoring systems and processes; the position of the monitoring actor; and sanctions to the firm or to third parties⁸². Altogether, these elements describe “the likelihood of compliance” (ibid.: 147). Each is further elaborated:

⁸² The researchers, furthermore, mention the criteria of *financial commitment*, which I do not consider for reasons of simplification.

- *Monitoring systems* cover the “collection of information and its verification“ (ibid.: 167)⁸³. Part of these systems are *whistle-blowing mechanisms*, including reporting hot lines and ethical ombudsmen, necessary for the process of reporting non-compliant behaviour (Hassink, de Vries & Bollen, 2007; Tenbrunsel, Smith-Crowe & Umphress, 2003: 288). It is a particular challenge for organisations to make whistleblowing “a safe, if not rewarding, activity” (Treviño, 1990: 207). If a firm does not successfully manage whistle blowing internally, whistle blowers may go entirely undercover. Operating as “spies for responsible business”, they can deliver sensitive information to media or related groups (Spitzeck, 2009a; also: Hassink, de Vries & Bollen, 2007: 30). Other monitoring instruments include *management self-reports*, *interview techniques*, and *systematic “walk-through” of facilities* (Sethi, 2002: 36). However, according to Kolk et al. (1999: 168), only about 24 percent of firms have clear systems in place, whilst the other firms have either vague to clear systems (26.2%), vague systems (27.4%), or no systems at all (22.6%).
- The *monitoring actor* describes the body in charge of monitoring the gathered information. A *first party* actor relates to an organisational-internal body (e.g., a council with members of various functions like legal, HR, and communication). A *third party* relates to an external body (e.g., lawyers; council). In the international arena, this may also include (local) NGO participation (Sethi, 2002: 32). A *combination* of different internal and external actors is also possible. In Kolk et al.’s (1999: 169) study, 32 percent do not mention any monitoring party, 58 percent state first party monitoring, and 7 percent state that monitoring was in charge of a combination of various actors.
- *Sanctions* or consequences differ in gravity from “no major implications” (ibid.: 169) to the threat of terminating business relations (Metzger, Dalton & Hill, 1993: 31; Schwartz, 2002: 31; also: 9.3.2.4). However, according to Kolk et al.’s (1999) study, only 16 percent of the MNCs state any severe *sanction within the firm*, with *sanctions to third parties* even lower (14.3%). General, Treviño et al. (1999: 141) find that “follow-through” (i.e. a consistent handling of sanctions) is most important for an effective compliance management, and much more important than detailed knowledge on actual codes and guidelines.

Several *challenges* are linked to compliance management: First, the elaboration above shows that very few companies are clear about their compliance monitoring process and that even less firms explicitly describe their sanctions in case of no-compliance. Second, especially when compliance management is narrowed down to legal compliance, the imperfection of legal systems raise attention to another problem: What is considered “lawful” may not at all be ethical (Paine, 1994: 109). Third, more generally, sometimes employees often do not understand the legal environment expressed by external and internal laws and guidelines. They may also be “frustrated and frightened by the complexity” (ibid.: 109). Fourth, considering *reactance theory*, increased compliance mechanisms may also lead to an upward

⁸³ In a strict way, this instrument should be part of the field of leadership metrics. I still present it here because the strongest aspect of compliance is the one of consequences and I do not want to fragment the various aspects of compliance too much.

spiral: One group of people tries to beat the system, whereas another group tries to promote even more sophisticated control systems (Tenbrunsel & Messick, 1999: 705).

9.3.4 Summary

I introduced two types of instruments for leadership deployment: Monetary and non-monetary incentives and rewards. I also introduced compliance instruments as a special form of the non-monetary type dealing with negative consequences like punishment. These three types, their sub-types, and exemplary instruments are listed in the following Table 18.

Type of instruments	Subtype of instruments	Exemplary leadership instruments
Monetary incentives and compensation	• CR components in incentives and compensation	• CR component in overall corporate performance (targets all employees with bonus or variable pay)
	• Redefined (general) incentives and compensation	• CR component in bonus or variable pay (of selected groups)
	• (Cash awards)	• Long-term incentives; group incentives
Non-monetary incentives and rewards	• Awards	• Flat compensation
	• Leadership groups	→ Awards
	• Employee community involvement	• CR award
	• Career planning	• Environmental/social/citizenship award
		• Innovation award targeting CR
Compliance	• Monitoring systems/monitoring actor/sanctions	• Leadership groups by CR criteria
		• CR champion networks
		• Corporate volunteering
		• Secondment
		• Employee matching
		• Matrix based on performance and values
		• Provision of training & development (cf. 9.4.2)
		• Sanctions for irresponsible behaviour (removal from career track; dismissals; → compliance)
		• Whistle-blowing system; interviews; systematic walk-through
		• Internal and external councils; NGO participation
		• Definition of sanctions (e.g., dismissal)

Table 18 Instruments in the Area of Leadership Deployment

9.4 Selection of Leaders and Leadership Development

Professional CR depends on the right leaders and leadership styles (Basu & Palazzo, 2008: 133; Sama & Shoaf, 2008: 44). To investigate these aspects in more detail, I distinguish between the selection subsystem and the development subsystem (Möslein, 2005: 164; Siebert, 2006: 259–288). Both are elaborated in the following two subsections.

9.4.1 The Selection Subsystem: Selecting Responsible Leaders

9.4.1.1 Recruiting and Selection

Recruiting and selection is instrumental for creating an “institutional core” (Selznick, 1984: 105) of the organisation. It is also an important tool for making *responsibility* integral to this

institutional core (Brown & Treviño, 2006: 608–609; Salzmann, Steger & Ionescu-Somers, 2008: 19; Sims, 2000: 75; Wilson, Lenssen & Hind, 2006: 33) because it is far easier to select recruits with the demanded CR-oriented values, than to change employees subsequent to their entrance into the firm (Kirchgeorg, 2004: 661). Accordingly, a (normative) selection process aims at *recruiting and staffing* “the right people with the right mental models and values, in addition to their functional expertise” (Siebert, 2006: 259; Wirtenberg et al., 2007: 16). Kirchgeorg (2004) empirically finds a number of values which distinguish “*sustainability talents*” from ordinary talents, namely (most important first): Awareness for the environment, social/community engagement, settle disputes, creativity, putting the collective before the individual, honesty, and cosmopolitanism. 21 percent of participating top talents belong to this category. In contrast, the values of ordinary talents are rather hedonistic (Kirchgeorg, 2004: 661).

It is important to realise that before corporate mechanisms for selecting leaders take effect, a firm’s reputation for CR invokes a *process of self-selection* (Hunsdiek & Tams, 2006: 57; Jones, 1995: 419). As Brown and Treviño state, individuals “are attracted to [...] organizations on the basis of perceived person-organizational values ‘fit’” (2006: 609) and, thus, conclude that ethical leaders will look for organisations with a reputation for an ethical work culture. Furthermore, in regard to actual employees, a mismatch can also result in quitting a firm (Jones, 1995: 419). Accordingly, the process of self-selection suggests that some talents “are not available” (anymore) for being addressed by formal selection mechanisms. The following empirical data supports this claim:

- According to a survey amongst job seekers in a German online job market, 60 percent prefer an employer with reputation for social responsibility, and about 40 percent even accept less salary, in case that they themselves could engage in corporate volunteering programmes during working time (Blumberg & Scheubel, 2007: 6).
- A recent study amongst top executives asked about factors important to decide for a role in a new company (Economist Intelligence Unit, 2007: 21). Whilst sustainability was the least important factor, the company’s “reputation for sustainability” was considered “very important” by 32 percent and “important” by 54 percent.

Wilson et al. (2006: 15) finds empirical evidence that more than 60 percent of European (still, largely British) companies address CR in recruiting (and also at induction). Selection processes are supported by a large set of formal *selection instruments*: IQ tests; personality surveys; interviews; biographic data; peer rating; simulations, group discussions, in-basket techniques; and assessment centres (Neuberger, 1976: 50–62). MNCs are especially appealed to assessment centres (Reichwald, Siebert & Möslein, 2005: 193). Though CR and related values can be infused into all of these instruments, scholars especially stress inclusion in *recruitment material* (Treviño, 1990: 226), *interviews* (Nijhof et al., 2007), and *assessment centres* (Siebert, 2006: 301). Whilst recruitment procedures are important for the selection of *external* talents, selection of *internal* talents may also be long-term process organised through mechanisms of *career planning and advancement* (cf. 9.3.2.4). Also, the processes for *selecting* and *developing* talents are not entirely distinct. For example, a leadership development programme can be a means to select people with the right values (Hirsch & Horowitz, 2006: 51).

Challenges related to the selection system also exist: First, in MNCs these systems are often rather informal; in other cases, formal policies and systems are in place to pretend rationality and traceability, where, in fact, irrationality and non-transparency rules (Möslein, 2005: 218). Also, recruits often do not tell the truth in recruiting situations (Hourigan, 2004), which emphasises the need for selection methods beyond simple interview techniques.

9.4.1.2 Induction

Once talents entered the firm or moved to a new position, the importance of CR is further signalled by incorporating it in formal *induction or orientation of employees*. A large global survey reveals that 43 percent of the companies address CR at induction (Economist Intelligence Unit, 2007: 19). Another, smaller European survey even reports of 61 percent (Wilson, Lenssen & Hind, 2006: 15).⁸⁴ Induction takes place either when new people are recruited (Knight, 2006: 16; Wade, 2006: 239) or when employees are rotated or promoted to new positions (Epstein, 2008a: 203; WEF & IBLF, 2003: 24). This can be done, for example, through *employee handbooks* including the corporate code of ethics (Logsdon & Yuthas, 1997: 1223), *lectures* on CR (Epstein, 2008a: 203), or through *community involvement programmes* (WEF & IBLF, 2003: 24). Siebert (2006: 300) reports of a firm that demanded new employees to conduct *role plays* and to record movies in order to reflect on corporate values.

9.4.2 The Development Subsystem: Developing Responsible Leaders

It is controversially discussed *whether or not responsible leaders can be developed* through formal training. Some authors argue that responsible or ethical qualities can only be developed through decent education during childhood (Alexander & Wilson, 2005: 144; Brenkert, 2006: 105); that some people are more suitable than others (Maak & Pless, 2006c: 49); or that moral development follows sequential stages throughout lifetime (Kohlberg, 1973; Kohlberg & Hersh, 1977) beyond the influence of companies. Others generally agree that responsible leadership can be developed through training interventions (Alexander & Wilson, 2005: 145; Brown & Treviño, 2006: 609; Maak & Pless, 2006c: 49). Based on a literature review about education projects for the facilitation of moral judgement development, Rest (1980: 605) concludes that interventions in this area are possible, but that interventions shorter than several months are ineffective. Hirata (2006) even sees education and training in ethics as more important than the enactment of business principles and related policies. Overall, I follow the understanding that CR characteristics and behaviours “can be learned, but are difficult to be taught” (DTI, 2003: 24).

Generally, there are three approaches to leadership development (Mumford & Mumford, 2004):

- *Informal managerial*. Informal development occurs through accidental processes within managerial activities. Development of this type is unconscious, does not include development goals, and is not planned in advance.

⁸⁴ The sample (about 75 percent British companies) may be biased towards progressive companies in regard to CR because the survey was addressed through CR networks.

- *Integrated managerial.* This development approach relates to opportunistic processes, which occur within managerial activities and explicitly aim at both task performance and development. These planned processes make use of development objectives and regular reviews.
- *Formal management development.* Formal development describes planned processes, often detached from managerial activities. These processes have an explicit intention of development and are linked to clear development objectives.

The *development instruments* addressed in this work focus on a systematic, planned approach to development and, hence, covers only *integrated managerial* and *formal management development*. A general overview of development instruments applied in MNCs is given by Reichwald, Siebert & Möslein (2005: 193) in the following Figure 42.

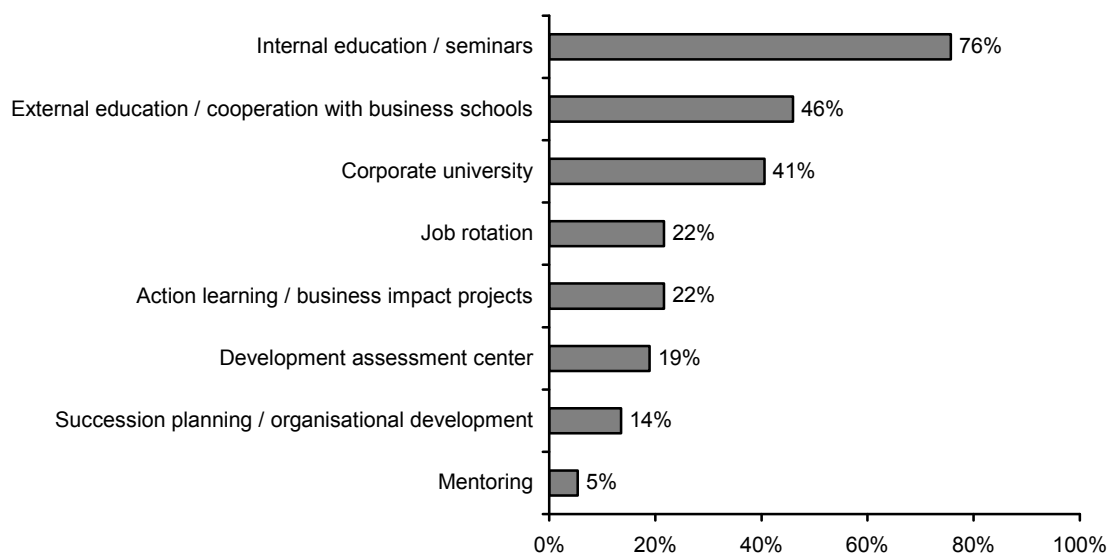


Figure 45 Leadership Development Instruments Used Across Multinational Corporations (n=37)

Source: Reichwald, Siebert & Möslein (2005: 193)

The above chart shows that MNCs apply a variety of instruments to develop their leaders. In the following, I am especially interested in how far CR is integrated in these instruments because leadership development is key to build top management support for CR (Wirtenberg et al., 2007: 18), to establish a values-based culture (Hunsdiek & Tams, 2006: 57), and to drive CR performance (Epstein, 2008a: 167). Generally, there are *four different levels of integration* of CR into overall development initiatives (Gardiner & Lacy, 2005: 177), as presented in Figure 46.

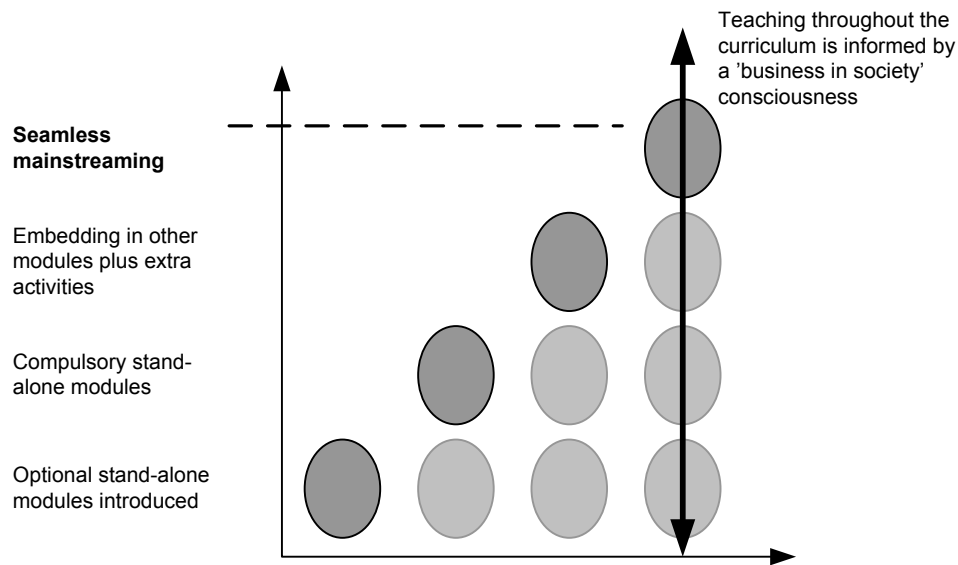


Figure 46 Mainstreaming of CR in Teaching

Source: Based on Gardiner & Lacy (2005: 177)

CR stand-alone modules are closed teaching units which explain the concept of CR. In the form of *optional stand-alone modules* they are only offered by demand of the potential participants, whereas *compulsory stand-alone modules* are made a definite module within existing development programmes. When *embedding into other modules* occurs, CR is addressed as a special part within traditional modules and programmes. A *seamless mainstreaming* is achieved once CR is common sense in a way that all kind of teaching is done with a “business in society” consciousness. In this case, “CR” does not need to be addressed *explicitly* anymore. Whilst seamless mainstreaming is the most desirable option, it also holds the highest risk of rhetoric because, as the word “seamless” already suggests, it becomes more difficult for the external world to validate such claims.

From an empirical perspective, Brunner (2006: 178) and Bieker (2005) see currently a lack within corporations regarding CR-related development. Still, other empirical studies, as presented in Table 19, show evidence for raising integration. In order to better structure these studies, I follow Wirtenberg et al. (2007: 17) who explicitly distinguishes between *leadership development*, on the one hand, and *training*, on the other. I follow this approach and regard *leadership development* as an overall approach to educate executives in CR, whereas *training* initiatives relate to broader programmes, sometimes addressing broader employees or focussing on training in specific (CR) issues or policies.

Source	Type of evidence (small sample first)	Result
<i>Employee training & CR:</i>		
EFMD (2005: 28); IBLF & SustainAbility (2001: 21)	Anecdotal/case	<ul style="list-style-type: none"> • Integrated
Bieker (2005: 143)	2 cases	<ul style="list-style-type: none"> • Very weak
Wirtenberg et al. (2007: 16)	9 companies; 12 interviews; Europe+US	<ul style="list-style-type: none"> • Strong integration
Quinn & Dalton (2009)	Qualitative interviews; 12 firms; 17 respondents; US	<ul style="list-style-type: none"> • Sometimes voluntary, sometimes mandatory training in sustainability principles
Wilson, Lenssen & Hind (2006: 15)	n=108; executives; Europe	<ul style="list-style-type: none"> • 65% integrated training (all staff)
Economist Intelligence Unit (2007: 19)	n=1164; executives; Global	<ul style="list-style-type: none"> • 44% integrated in employee training • (43% integrated in induction)
Blumberg & Scheubel (2007)	n=68; human resources managers; Germany	<ul style="list-style-type: none"> • Volunteering is of average importance for HR development (and slightly more important for recruiting) • 16% of firms offer social internships and 27% offer mentoring of disadvantaged
<i>Leadership development & CR:</i>		
Wade (2006)	1 case (self-reporting)	<ul style="list-style-type: none"> • Sustainability integrated through diverse learning tools
Pless & Schneider (2006)	1 case (self-reporting)	<ul style="list-style-type: none"> • Integrated through service-learning and coaching
Holzinger, Richter & Thomsen (2006)	1 case (self-reporting)	<ul style="list-style-type: none"> • Corporate university integrates applied ethics modules; values & principles; information about CR management, CR case studies
Pinter (2006)	6 cases; Germany	<ul style="list-style-type: none"> • Integrated through service-learning
Wirtenberg et al. (2007: 16)	9 companies; 12 interviews; Europe+US	<ul style="list-style-type: none"> • Strong integration
WEF & IBLF (2003)	n=31; CEOs; 16 countries, 18 industries	<ul style="list-style-type: none"> • Integrated by about 5 firms through various means
Wilson, Lenssen & Hind (2006: 14)	n=108; executives; Europe	<ul style="list-style-type: none"> • Responsible leadership integrated in training for top managers (61%), induction (61%), and recruiting (63%)
RESPONSE ([2007])	427 interviews in 19 firms in 8 sectors 4 controlled training experiments in 4 MNCs involving 93 managers	<ul style="list-style-type: none"> • Standard executive education fails to drive responsible conduct, whereas coaching programmes using introspection and meditation do have impact
Steger (2004: 57) ⁸⁵	A: n=945; managers. B: n=123; CR officers; Global (additionally 418 interviews in 108 firms)	<ul style="list-style-type: none"> • Sustainability integrated in management development: 31% (A) / 49% (B)

Table 19 Empirical Evidence on CR-Oriented Training and Development

In summary, a relatively high number of 44 to 65 percent of the large MNCs already have CR-oriented leadership development and training initiatives implemented. Interestingly, none

⁸⁵ Industry-specific subsets of this data is also presented in dedicated publications (e.g., Brunner, 2006; Eckelmann, 2006; Heß, 2007; Salzmann, 2006).

of the large scale survey-studies conducted *in Germany* addresses CR training⁸⁶, which may be an indicator for that such development programmes are less popular amongst German firms.

Whilst the above review addresses CR and leadership development from a rather superficial perspective, it is important to understand *different types* of such development programmes. More specific, on the one hand, researchers find that certain competencies are key to advance CR (WEF & IBLF, 2003: 24; Wilson, Lenssen & Hind, 2006: 4) and, on the other hand, researchers call for new CR-oriented “mindsets” or “worldviews” (Rooke & Torbert, 2005: 75; Wilson, Lenssen & Hind, 2006: 37). These two aspects resonate with what Cook-Greuter (2004) calls *horizontal and vertical development* (cf. Figure 47). Even though the terminology may wrongly create a connotation to organisational hierarchies, Cook-Greuter uses these terms to refer to *directions of personal development*:

“Most [horizontal] learning, training and development is geared towards expanding, deepening, and enriching a person’s *current* way of meaning-making. It’s like filling a container to its maximal capacity. We develop people by teaching them new skills, behaviors and knowledge and to apply their new competencies to widening circles of influence. Vertical development, on the other hand, refers to supporting people to *transform their current way* of making sense towards broader perspectives. [*italics added*]” (2004: 276f)

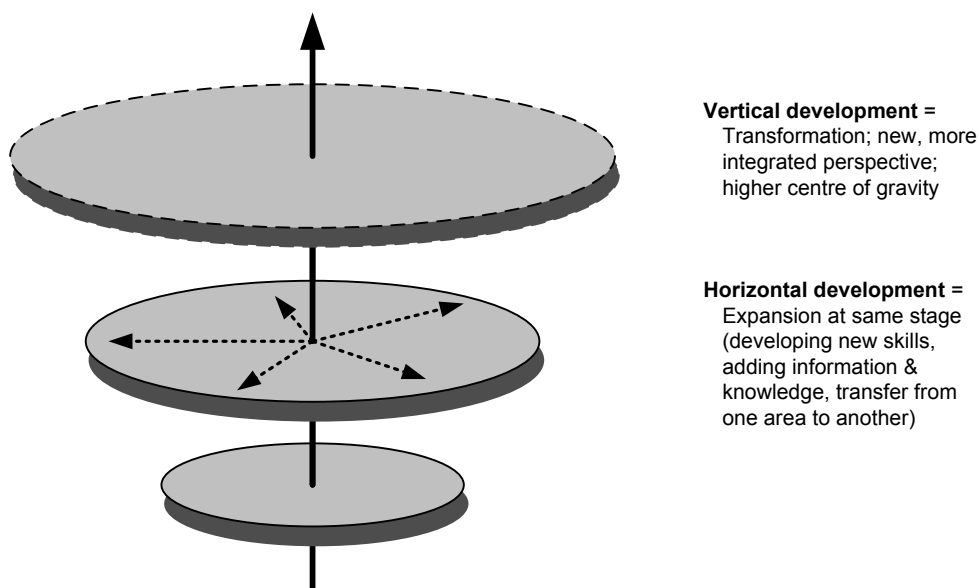


Figure 47 Horizontal and Vertical Development

Source: Based on Cook-Greuter (2004: 277)

Whilst horizontal development is spurred by applying traditional training approaches, vertical development needs other, more experimental approaches. Though horizontal and vertical

⁸⁶ In most studies (Backhaus-Maul & Braun, 2007; Bertelsmann Stiftung, 2005b; dknw & ifo Institut, 2002; Fichter & Loew, 2002; GTZ, 2006) training is entirely omitted. Schmitt (2005) used a single question in her survey to address training for global sustainability initiatives (e.g., Global Compact, GRI), which returned only three answers from the 12 companies included.

development tools are not entirely distinct, I describe both modes of development in the two following paragraphs separately.

9.4.2.1 Horizontal Development

I referred to horizontal development as the development of new competencies. From a practical HR perspective, competencies for responsible leadership have to be defined (Maak & Pless, 2006b: 112). These competencies cover skills, knowledge, and attitudes (Wilson, Lenssen & Hind, 2006: 4). In the following, I describe, first, the nature of CR competencies in more detail and, then, proceed to formal development programmes to develop these competencies.

9.4.2.1.1 Competencies and Competency Management

CR competencies can be categorised into technical, business, and people competencies (DTI, 2003: 19)⁸⁷. *Technical skills*, or “knowledge sets”, require a basic understanding of what CR actually means for the company, for a department, or for a single manager (Scalberg, 2005: 389, 394). *Business skills* refer to rather generic management competencies. *People skills* refer to individual “attitudes and behaviours” (Figure 48).

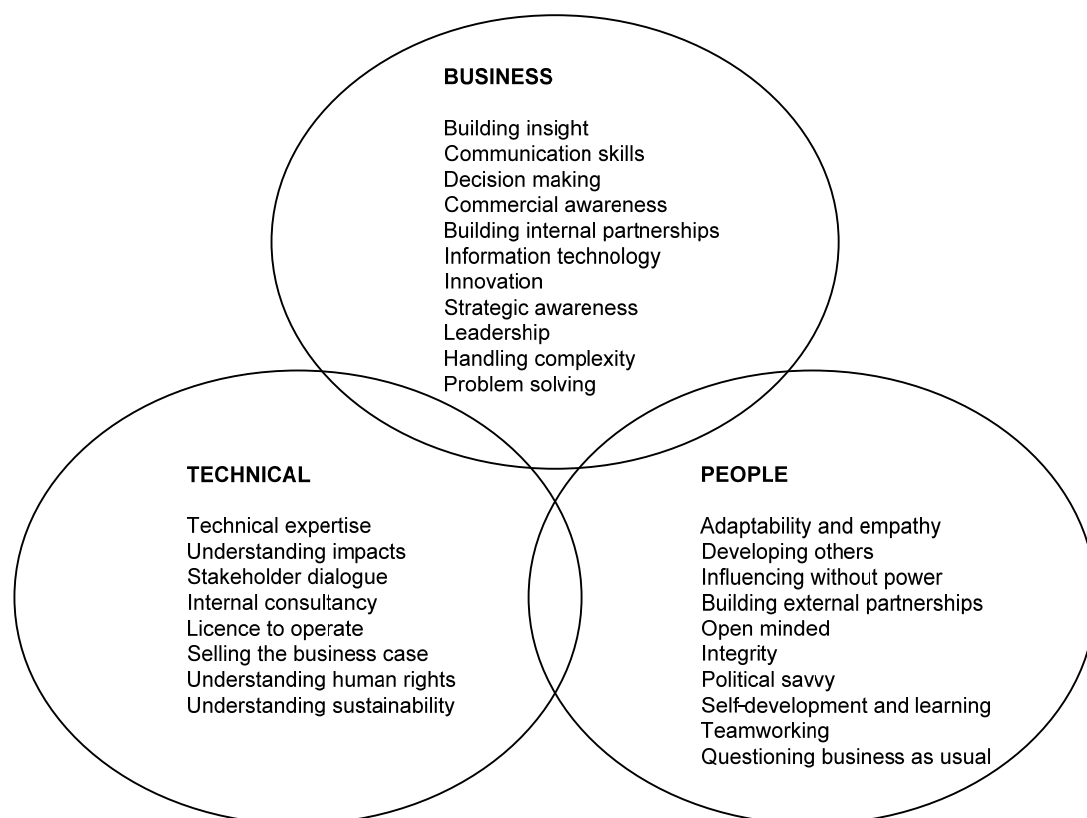


Figure 48 Skills and Competencies for CR

Source: DTI (2003: 19)

⁸⁷ The study by DTI (2003) focuses on the position of the CR professional (i.e. the CR manager or related position) by arguing that, to date, still, CR professionals are more likely to develop the proper skills and change the way the overall organisation conducts business. At the same time, in acknowledgement of the necessary mainstreaming of CR, the study aims at addressing general management.

As a subset of the above business and people skills, Quinn and Baltes (2007), based on survey data, identify “long-term view”, “communication”, and “influence” as the *most important* leadership competencies for adopting CR.⁸⁸

Firms manage competencies through *competency frameworks or competency management* systems. Through these systems, competencies can be the basic unit to define training need and outcome. Furthermore, these frameworks are sometimes directly linked with performance and appraisal systems (Nijhof et al., 2007: 151). Thus, a first tool for integrating CR and professional development is the definition and integration of CR competencies into existing management competency frameworks, which is also done by firms like Shell (Wade, 2006: 234).

9.4.2.1.2 *Horizontal Development Programmes*

To develop CR competencies, different types of *development tools* are required (Tuffrey, 1995: 26). Researchers demand *leadership development programmes* which integrate *ethics* (Brown & Treviño, 2006: 609; Freeman, Harrison & Wicks, 2007: 155; Kakabadse, Korac-Kakabadse & Kouzmin, 2003: 489; Wilson, 2006: 34) and *CR* (Bieker, 2005: 143; Epstein, 2008a: 52,203; Fulmer, 2005; Quinn & Baltes, 2007: 10; RESPONSE, [2007]; Strand, 1983: 94). Through such training, leaders are educated in what CR means for the company and the managers and how to act in a stakeholder environment (McGaw, 2005: 33). This positively influences CR practices on the organisational level (Sama & Shoaf, 2008: 44; Wilson, Lenssen & Hind, 2006: 34). Besides classroom teaching and lectures (EFMD, 2005: 30) *case studies* and *business simulations* are also a viable teaching tool (Svoboda & Whalen, 2004; Wade, 2006: 234). Brown and Treviño (2006: 610) see *interpersonal skill training* as necessary tool to develop responsible leaders.

As already mentioned, I distinguish between leadership development and training (Wirtenberg et al., 2007: 17). *Training* describes more focussed topics or policies and can also address broader hierarchical levels. I distinguish two variants which I term ‘*specialists training*’ and ‘*policy training*’. *Specialists training* refers to training which focuses on a small number of CR issues. This follows the understanding of Wade (2006: 236, 238) who stresses the importance of tailoring CR training initiatives to the particular area of expertise of the attendants. This could, for example, mean that each business function is addressed with specialised subsets of overall CR topics (e.g., production managers are especially interested in health and safety issues; procurement is more interested in social issues in the supply chain like human rights). Increasingly, specialist courses on CR issues like environmental management, social auditing, and reporting are available (DTI, 2003: 27). *Specialists training* demands that the programme does not only cover awareness raising material, but also specific procedures and management issues which enable employees to improve sustainability performance (Epstein, 2008a: 203).

Policy training refers to training that *enforces new policies or leadership instruments*, or that reinforces existing ones (Urbany, 2005: 179); for example, business codes are best accompanied with compliance training (Kaptein & Schwartz, 2008: 119; Logsdon & Wood,

⁸⁸ Researchers argued that some of these skills are rather generic management skills (DTI, 2003: 19).

2005: 63f); formal values statements demand values training (Kelly et al., 2005: 2; Urbany, 2005: 179); and new strategies also require dedicated training (Welge & Al-Laham 1992/2003: 548; cf. Brunner, 2006: 164).

9.4.2.1.3 *Limitations of Isolated Horizontal Development*

In contrast to the above presentation of CR competencies and related development tools, researchers argue that a linkage between competencies and development is not entirely robust and that identification of CR-specific competencies is difficult (DTI, 2003: 23; Nijhof et al., 2007: 151f). Moreover, empirical research reveals that there are very few existing approaches of CR integration into competency management and that many of these are rather implicit (Wilson, Lenssen & Hind, 2006: 17–19).

Furthermore, recent research questions the usefulness of traditional, classroom-based training techniques for CR (e.g., Brenkert, 2006: 105; Hind, Wilson & Lenssen, 2009: 18; Staffhorst, 2005). In the project “RESPONSE” ([2007]), probably the largest European research initiative on CR,⁸⁹ researchers test different interventions which aim at the development of social responsible behaviour. Quantitative pre-post tests were conducted amongst 93 managers from four firms in three sectors. Results show that class-based executive training in CR, when run in isolated fashion, has no positive effect on responsible behaviour and, in some cases, even has a negative correlation (ibid.: 79f).⁹⁰

The limitations of competency management and classroom teaching suggest to transcend the sole focus on horizontal development to also regard other, vertical development tools. This will be addressed in the subsequent paragraph.

9.4.2.2 Vertical Development

9.4.2.2.1 *The Nature of Vertical Development*

The previous paragraph focused on horizontal development based on competencies. As indicated, there are also critical voices about the practicability of such a competency management approach. In order to overcome these weaknesses, researchers embarked towards more generic “abilities” and, further, towards “mindsets” —both is described in the following.

⁸⁹ The RESPONSE project consists of 26 dedicated researchers from more than six academic institutions and was directed by Mauricio Zollo. Two advisory boards, both from academia and business, assisted the research.

⁹⁰ Still, the results should be used with care: The researchers stress the exploratory nature of the results. This is because, first, only a smaller subset of the above cited number of managers took part in each experiment and second, the post-intervention measures were drawn immediately after the intervention. Also, the executive training on CR applied in these experiments, used an add-on module, rather than an integrated approach. Thus, it would be interesting to repeat such experiments with CR components integrated in conventional leadership development programmes.

By recognising the difficulties in regard to CR competencies, Hind, Wilson and Lensen (2009: 15) use interview data to develop five *reflexive abilities*, which they regard as key for responsible leaders:

- Systemic thinking⁹¹;
- embracing diversity and managing risk;
- balancing global and local perspectives;
- meaningful dialogue and developing a new language; and
- emotional awareness.

These abilities, which may also be regarded as meta-competencies, resonate with a research tradition in the field of organisational learning. Senge (2006) is probably the most renowned promoter of systemic thinking and, lately, also identified it as key for a transformation towards sustainability (Senge et al., 2006a; Senge et al., 2006b). Looking at the above requested abilities, the fundamental challenge of leadership development for CR begins to emerge. Wilson et al. explain this as follows:

“[M]anagement development for corporate responsibility needs to address fundamental questions of how an individual views the world – how he or she ascribes value to certain types of management and corporate behaviour.” (2006: 37)

The European Foundation of Management Development (EFMD) promotes this same direction by stating that

“developing globally responsible leaders is about much more than skills training. It is about understanding. It is about deeper knowledge. It is about values and attitudes. It is about mindsets.” (EFMD, 2005: 29)

The *change of mindsets* or “shift in perspectives” (Alexander & Wilson, 2005: 145) poses a real challenge to traditional educational institutions (EFMD, 2005: 30) because traditional, mostly classroom-based pedagogic approaches are insufficient in meeting these demands (Brenkert, 2006: 105; Staffhorst, 2005). A successful change requires “emotional engagement” with CR, or, in other words, a joint approach of “head and heart” (EFMD, 2005: 29; Pless & Schneider, 2006: 220). For some leaders, this may also involve the provision of a “shock of dissonance that stimulates them to re-examine their worldviews” (Rooke & Torbert, 2005: 75).

9.4.2.2.2 Vertical Development Tools

Researchers argue that, beyond cognition, *leadership development programmes* also have to address personal values and emotions (Schneider et al., 2005: 42) in order to lead to greater social consciousness and, ultimately, to more responsible conduct (RESPONSE, [2007]: 59; Schneider et al., 2005: 42). Consequently, the EFMD calls for *multidisciplinary experiential learning* where participants can actively involve in, experiment with, and reflect on CR

⁹¹ Peter Senge (2006) already regarded systemic thinking—or “the fifth discipline”—as key to organisational learning and argues that is also key for sustainability (Senge et al., 2006a). Others acknowledge the role of systemic thinking for responsible leadership (AMA, 2007: 39; McEwen & Schmidt, 2007: 33; Scalberg, 2005: 395; Wade, 2006: 238).

(EFMD, 2005: 30; also: Maak & Pless, 2006c: 49; Wilson, Lenssen & Hind, 2006; Staffhorst 2005). Exemplary experimental approaches to leadership development are *action learning*, *business impact projects*, and *global rotation* (Möslein, 2005). Experiential approaches in the context of CR are comparable, yet, sometimes go beyond these. Some authors propose *stakeholder role playing exercises* (Quinn & Baltes, 2007: 10; Wade, 2006: 237). Others promote the *exposition of managers to places very different to their home base* (Scalberg, 2005: 394). This may be done through visits of new managers at suppliers' sites in developing nations (Nijhof et al., 2007: 164). Scharmer reports of leadership development that "takes deep-dive action learning journeys to some of the current spots of societal crisis and breakdown" (Scharmer, 2007: 434). Longer-term exposition in developing economies is possible through the role of an expat. Also, providing training for managers in "external facing roles" like, for example, in public affairs (Wilson, Lenssen & Hind, 2006: 34–36). Humphries and Dyer (2005) suggest an approach of *critical pedagogy*, which confronts participants with dilemmas and, also, questions taken-for-granted assumptions and worldviews. Rooke and Torbert (2005) suggest small-learning teams, *autobiographical writing*, *psychodrama*, and *deep experiences in nature*. A more individualised and long-term development instrument is *coaching or mentoring*. In appeal to the proposed term of vertical development, Pless and Schneider report that coaching is about "enabling themselves [executives] and others to reach a *new level of potential* [italics added]" (2006: 220). Maak and Pless (2006b) demand leaders to coach their followers, which involves both to provide them with trainings in ethics and to serve as discussion partner in regard to ethical issues. Through such close, long-term interaction with the coach or "ethical career mentor", these development tools are especially useful in changing minds and promoting responsible conduct (Brown & Treviño, 2006: 601; Hatcher, 2002: 95; also: Brenkert, 2006: 105). Coaching interventions are also useful *in combination* with other development tools (Brown & Treviño, 2006: 609).

Other emerging vertical development tools are "*introspective and meditative practices*" (Schneider et al., 2005: 36). In the RESPONSE research project (introduced in the prior paragraph 9.4.2.1.3), researchers followed the research design by Schneider et al. (2005: 36) and conducted experiments to test the impact of different training designs on socially responsible executive behaviour. The researchers tested *meditation-based coaching* rooted in "mental silencing" techniques and find that it is positively correlated with social responsible behaviour. Other *stress-relieving techniques* based on "hatha yoga" show comparable results (RESPONSE, [2007]: 72ff); a possible explanation is that occupational stress is counterproductive for CR-oriented decision making because a high level of stress leads to short-term orientation, reduces the effort for searching solutions, and also reduces "the relevance of other's in one's own decision-making priorities" (ibid.: 62). Scharmer (2007: 91f) also reports of an increasing acceptance of mediation practice in leadership development. He also integrates meditation and other techniques of intentional silencing in leadership trainings at Massachusetts Institute of Technology (MIT)⁹² as well as the ELIAS leadership programme, which aims at social innovation within the paradigm of sustainability. Based on

⁹² The MIT in Cambridge, Massachusetts, is one of the most renown universities worldwide.

an interview study with roughly 150 experts, he also emphasises deep conversation and emotional awareness; applied in leadership development programmes, Scharmer ([2007]: 18) states, participants develop “new leadership techniques, behaviours and results [...] and [...] apply them to organizational and sustainability-related change”.

Letting executives *work in community projects* is also a powerful tool for developing a CR mindset (Bartsch, 2004, 2008; Hirsch & Horowitz, 2006; IBLF & SustainAbility, 2001: 21; Maak & Pless, 2006c: 49; Wade, 2006; Wilson, Lenssen & Hind, 2006: 34) and will be subject of the subsequent paragraph titled *service learning*.

Formal leadership development faces *several challenges*, which may be even stronger for vertical development. The first challenge regards the *integration into business*. Especially in formal development programmes where the development takes place off the working environment (in contrast to the integrated managerial development), it is difficult to transfer the learning experience back to the daily job situation (Möslein, 2005: 209). Rosenstiel (2000: 200) gives a set of rules to improve this transfer, for example, that the learning environment should incorporate as many elements of the real job and learning should immediately be tested in the real job. Pless and Schneider (2006: 223) promote a comprehensive debriefing phase to reflect on values and sustainability and to, ultimately, develop ethical intelligence. A second challenge is the *measurement of the return on investment* of a programme. This measurement is difficult because the learning process as well as its outcomes are intangible and, thus, difficult to measure. Promoters of formal development programs, hence, often face difficulties in justification of such programmes, especially when economic situation is tough (Siebert, 2006: 269).

9.4.2.3 Service Learning

Employee community involvement (e.g., volunteering, secondment) is not only a means for employees to personally engage in social progress (cf. 9.3.2.2), it is also instrumental to develop new skills (PLF, 1999: 44). This combination of professional development and community engagement is also referred to as “service learning”⁹³ and is defined as follows:

“Service learning takes place when employees learn, develop, and demonstrate new skills and gain work experience through community service in areas not formally associated with regular job responsibilities.” (ibid.: 44)

Anecdotal evidence (Hills & Mahmud, 2007: 25; Wilson, Lenssen & Hind, 2006: 34), case evidence (Hirsch & Horowitz, 2006; Läsker, 2008; Pinter, 2006; Pless & Schneider, 2006) as well as evidence from survey research (WEF & IBLF, 2003: 25) show that service learning is also applicable to *leadership* development. Still, there are regional differences. Comparable to ECI programmes in general, Anglo-American countries more strongly adapt service learning. In contrast, as a recent study shows (Blumberg & Scheubel, 2007: 15–21), HR executives in Germany are undecided on whether corporate volunteering (and also CR more generally) was important for personnel development. Still, some of them acknowledge the value of volunteering programmes for the following reasons (most important first): Positive impact on

⁹³ The term of service learning sometimes more narrowly addresses volunteering programmes in academic education, such as graduate and MBA programmes (e.g., Kenworthy-U'ren 2008).

the corporate culture; higher identification with the employer; improved team orientation; increased motivation; and improved relations with customers and business partners. Whilst this is the perspective of HR professionals, in contrast, a large majority of German employees think that volunteering drives personal development (87%) and argue that experience made in such projects help in the job environment (76%). In order to facilitate service learning programmes, a large range of intermediaries exist for matching corporations (and their employees) with social and environmental services organisations (Bertelsmann Stiftung, 2008).

A broad range of *instruments for service learning* exist, differing in various aspects. On the one hand, participants belong to existing teams, on the other hand, participants are composed of employees from various functions and units or from various hierarchical levels (Pinter, 2006: 53). The duration of programmes varies considerable between several days (Wilson, Lenssen & Hind, 2006: 34), weeks (Pless & Schneider, 2006) or, in the case of secondments, months (Pinter, 2006: 66). Either firms involve directly in the community or work together with NGO partners (Pless & Schneider, 2006: 214) and social entrepreneurs (Maak & Pless, 2006c: 49). Further differences exist in the number of employees involved and the competencies required or to-be developed (VIS a VIS, 2008: 9). The latter two dimensions are used to span the following matrix of instruments (Figure 49).

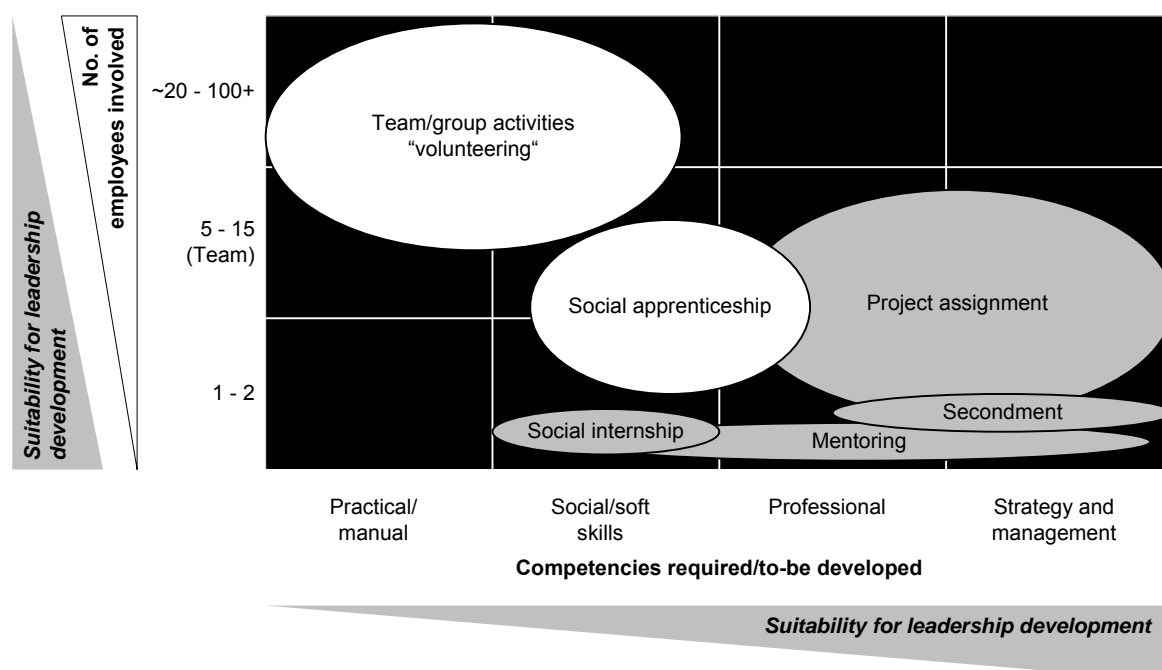


Figure 49 Instruments for Service Learning

Source: Based on VIS a VIS (2008: 9)

This above figure allows for a rough separation into programmes which address personnel development more generally (large groups; rather manual activities) and programmes which are more suitable for leadership development (small groups; management activities). Against this background, *social internships*, *mentoring* (of non-profit organisations), *secondment*, and *development projects* serve best for leadership development. The development impact of

service learning (as well as of other vertical development tools) is safeguarded and increased if intertwined with *coaching sessions* (Pless & Schneider, 2006: 216, 219; Wieland, 2004: 38) or related *reflective interventions* (Bartsch, 2004: 4). Reserving space as well as guiding a phase of reflection allows participants to better make conscious the multi-faceted experiences which occurred on the behavioural and emotional level.

I introduced service learning as the combination of employee community involvement and development of employee skills. In fact, a more detailed analysis of “skill” development needs to distinguish, again, into *horizontal* and *vertical* development: First, service learning develops various professional competencies (horizontal development) and, second, it enables shifts of mindsets (vertical development). Both will be further elaborated.

9.4.2.3.1 Service Learning and the Development of Competencies

Through service learning, people can develop a large set of competencies, comparable to the ones described for horizontal development (Tuffrey, 1995: 26; Wild, 1993). This includes personal skills, interpersonal skills, project skills, and leadership skills (PLF & BCCCC, 2005: 15). Tuffrey (1995: 26f) analyses three categories of competencies, namely personal effectiveness, management effectiveness, and business effectiveness. In an empirical analysis in eleven UK-based companies, roughly 400 employees, including their line managers, were assessed prior and subsequent to community involvement placements. Amongst a large set of competencies indicated above, the competencies developed most frequently are depicted in Figure 50 below. In summary, competencies of the category of personal effectiveness clearly head the list, followed by management competencies and broader business competencies.

Main Competencies Developed:	Type of Activity:					
	Individual volunteering (educational projects)	Volunteering (practical activity)	Project assignments (individual)	Project assignments (team)	One-to-one support	
Personal effectiveness						
- communication and listening skills	•	•	•	•	•	
- influencing skills		•	•		•	
- collaboration / team working	•			•		
Management effectiveness						
- project management / planning and implementation	•		•			
- maximizing performance					•	
- managing change				•		
- leadership		•				
Business effectiveness						
- customer focus	•					

Figure 50 Competencies Most Frequently Developed Through Service-Learning

Source: Based on Tuffrey (1998: 6)⁹⁴

⁹⁴ I merged some of the rather similar competencies (*collaboration* with *team working*; *project management* with *planning and implementation*; and *communication* with *listening skills*). This was done in line with

9.4.2.3.2 *Service Learning and the Development of a Citizenship Mindset*

Service learning drives personal development (Blumberg & Scheubel, 2007: 13–21). Beyond this, it also develops greater social awareness (Bowman, 1998: 42), “a broader understanding of social issues” (Tuffrey, 2003: 15), and an “enlarged sense of community and social obligation” (Tuffrey, 1995: 10f). Schneider et al. (2005) call such community placements “a ‘behavioural treatment’ aimed at stimulating the degree of awareness of the company’s social responsibilities in organisational members”. Also, service learning spurs the understanding for global challenges and the role of business in these (Pless & Schneider, 2006: 218). All these aspects lead to the development of an “external mindset” (Wade, 2006: 242) or “citizenship mindset” (Pless & Schneider, 2006: 218), which positively impacts corporate culture (Blumberg & Scheubel, 2007: 13–21) and provokes employee buy-in to the CR agenda (Bhattacharya, Sen & Korschun, 2008: 42; DTI, 2003: 31; Schneider et al., 2005: 35).

Developing such a citizenship mindset is also the goal of programmes such as the “Ulysses” leadership development programme at PriceWaterhouseCoopers or the programme “Blickwechsel” offered to firms by a German NGO (Bartsch, 2004, 2008). The Ulysses programme is based on a short-term, cross-border service learning approach (Pless & Schneider, 2006: 218) and wants

“to raise awareness ... for the challenges in the global world, like poverty, environmental pollution and human disease ... to develop an understanding for the responsibilities of business leaders in society [and] to foster community engagement ... as well as stakeholder dialogue as an active approach towards responsible leadership and sustainable business.” (ibid.: 218)

Evaluation results of the Ulysses programme show that participants indeed acquire such mindsets (Hirsch & Horowitz, 2006). Scharmer, one of the involved trainers, also acknowledges the deep impact of the programme:

“For the past four years I have worked with these groups both prior to their two-month field immersion and then after they have returned, during the reflection retreat. I have been always amazed how deep the changes are that this seemingly simple intervention — exposing people to the real world — creates, if supported in the right ways. Meeting with them a year later for a third time also convinced me that a significant number of them had translated this life-changing experience into new kinds of projects, ventures, and behaviors”. (2007: 434)

Service learning is subject to the same critique already stated about the measurement of community involvement (cf. 9.2.1.1.2) and the incentives for employee community involvement (cf. 9.3.2.3). Beyond this, Tuffrey (1998: 5) states that some firms have practical difficulties in evaluating skill development of service learning participants.

9.4.3 **Provider of Development Programmes**

9.4.3.1 Overview

Training and development is provided by various *actors*. *First*, training and development can be provided by *internal sources*. Traditional training methods can either operate on a

Tuffrey’s (1998: 24) explanations of each competency. Further, I aligned the terminology according to the terms introduced in paragraph 9.3.2.3.

centralised, or on a “teach the teacher” (or snowball) approach. Especially to develop technical skills for CR, the latter snowball approach can be an appropriate tool to quickly cascade teaching contents through large and often decentralised organisations. Also web-based training modules can support skill development (AMA, 2007: 33; DTI, 2003: 28; Wade, 2006: 239). Customisable e-learning tools for CR, such as “Chronus”, which was developed by the World Business Council on Sustainable Development (WBCSD), are increasingly available. Such tools are used by a large number of MNCs as part of their employee training system (Epstein, 2008a: 203).

Second, corporate universities can also provide training and development. They are a special, corporate form of an educational institution. Corporate universities also conduct teaching in values and responsibility using various teaching tools (EFMD, 2005: 28; Siebert, 2006: 300). In the past, for example, Volkswagen’s “Autouni” offered applied ethics modules, which integrate discussions about leadership characteristics and ethics, reflections on firm-internal values and principles, information about CR management, and CR case studies (Holzinger, Richter & Thomsen, 2006).

Third, firms also “buy” training and development from independent educational institutions like business schools. As a very important actor in education for CR (Ghoshal, 2005), they are treated in detail in the subsequent paragraph.

9.4.3.2 CR Development by Educational Institutions

Recent years brought an increasing interest in how educational institutions integrate CR. Such institutions include business schools, universities, and other independent training providers (DTI, 2003: 26; Scalberg, 2005). In one of his seminal publications, Sumantra Ghoshal emphasised the role of business schools for CR:

“Many of the worst excesses of recent management practices have their roots in a set of ideas that have emerged from business school academics over the last 30 years. [...] [B]y propagating ideologically inspired amoral theories, business schools have actively freed their students from any sense of moral responsibility.” (Ghoshal, 2005: 75f)

Moreover, particularly business schools were accused to be “no more than brainwashing institutions educating their graduates only in relatively narrow shareholder value ideology” (Matten & Moon, 2005: 323). The above statements already indicate that the external “market” for CR-oriented training is even less developed than the corporate development practice (Wilson, Lenssen & Hind, 2006: 37). However, Brown and Treviño stress that educational institutions should also aim at developing ethical leaders (2006: 609). This is also supported by the Principles of Responsible Management Education (PRME), an initiative of the UN Global Compact (2007a; 2008). This initiative aims at developing students’ capabilities in regard to global social responsibility and a global, inclusive, and sustainable economy. This aim is supported by educational frameworks and teaching material.

Anecdotal evidence shows that firms indeed demand development programmes from educational institutions (IBLF & SustainAbility, 2001: 29). For example, the British company BP cooperates with business schools in Harvard, Stanford, and Cambridge in order to offer a series of one week modules addressing “changes in the outside world” and “environmental and social trends” (ibid.: 29). The professional services firm Deloitte sends its new partners

into development programmes at IMD business school, which also addresses “issues of corporate citizenship” (WEF & IBLF, 2003: 25).

These controversial standpoints on the external market for management development suggest a deeper analysis. Thereby, empirical research on the offering of *independent training providers* is limited to a rudimentary study from the UK by the Department of Trade and Industry (DTI, 2003: 27). The study reveals that such providers focus on specialists training in areas like environmental management or certification, on the one hand, and on more generic executive training on CR, on the other hand.⁹⁵ Still, more decent research is available about universities and business schools. Empirical findings show that CR is of increasing importance for teaching in undergraduate, postgraduate, MBA, and dedicate executive development programmes (e.g., AICBE, 2007; Gardiner & Lacy, 2005; Matten & Moon, 2005; Rosenbloom & Gudic, 2008). This is also driven by alternative (i.e. CR-oriented) rankings of business schools like the biennial “Beyond Grey Pinstripes” ranking (AICBE, 2007).⁹⁶ Table 20 demonstrates these findings in more detail.

Source (most recent first)	Type of evidence	Result
Rosenbloom & Gudic (2008)	n=154; teachers at business schools (executive education); global (33 countries)	<ul style="list-style-type: none"> • Integration of business ethics in curriculum: optional (30%), required of all (30%), required of some (30%), not offered (10%) • CR included in foundation courses: always (37%), sometimes (56%), never (6%) • Global poverty is integrated in selected classes (76%) or across the entire curriculum (13%)
AICBE (2007)	Biennial survey (since 2001) amongst top business schools (n=112); global;	<ul style="list-style-type: none"> • CR increasingly important for universities • No. of required and elective courses increased dramatically; CR content in required core course increased • CR Research stable
Gardiner & Lacy (2003, 2005); Matten & Moon (2005)	University officials and CR researchers from European business schools (20 countries); survey and phone (n=166)	<ul style="list-style-type: none"> • Two-thirds of respondents provide CR education (CSR; ethics; environment) • MBA programmes: Dedicated CR MBAs (12%), optional CR modules (32%), • Executive development: Dedicated programmes (13%); optional CR modules (17%)
Cowton & Cummins (2003)	UK; 79 institutions offering business courses; separate surveys for undergraduate and postgraduate courses	<ul style="list-style-type: none"> • CR teaching on the increase though, overall, only a low level of teaching time; teaching units located within business faculty; mostly optional modules
Hosmer (1999)	US; survey (n=146)	<ul style="list-style-type: none"> • Business ethics mostly excluded at large and very large institutions
Collins & Wartick (1995)	Review of 11 US-based studies; own study amongst 98 schools; US	<ul style="list-style-type: none"> • Mostly separate business and society course offered
Mahoney (1990)	US and Europe;	<ul style="list-style-type: none"> • Mostly separate business ethics course offered

Table 20 Empirical Evidence on CR in Educational Institutions

⁹⁵ See also McEwen and Schmidt (2007) for exemplary training offers.

⁹⁶ See the Beyond Grey Pinstripes website under <http://www.beyondgreypinstripes.org/rankings/trends.cfm>.

MBA programmes and dedicated executive programmes are the ones considered by corporations for executive development. The above table shows that, in these types of programmes, CR is increasingly offered in compulsory and elective courses as well as in dedicated CR programmes (Matten & Moon, 2005; Rosenbloom & Gudic, 2008). Researchers find a trend from elective to compulsory modules (AICBE, 2007; Collins & Wartick, 1995: 61). It is noteworthy that, in comparison to all other types of degrees (Bachelor; Master's; and MBA), schools offer dedicated CR programmes most likely to executives (Matten & Moon, 2005: 328). This suggests a significant demand from the side of executives and firms in general. Some exemplary executive programmes from *leading educational institutions* are listed in Table 21.

Source (most recent first)	Institution and title	Description
HBS (2007)	Harvard Business School: "Corporate Social Responsibility"	Dedicated CR programme for senior executives
INSEAD ([2007])	INSEAD: "ALVIRA"	General senior executive programme integrating important CR aspects
ELIAS (2007)	MIT: "ELIAS"	Joined approach by various groups at MIT; cross-sector collaboration/leaders from three sectors; aim: "To contribute to the evolution of sustainable global market systems that build human, social, and natural capital as well as financial and industrial capital"
Notre Dame (2008)	University of Notre Dame: "Executive Integral Leadership"	Focuses on the "whole person" by balancing "cognitive, emotional, physical, interpersonal, values, moral and spiritual aspects"; coaching;

Table 21 Development Programmes for CR at Leading Educational Institutions

Schools use various *teaching tools* for CR integration, including the following (most frequent first): Business speakers, CR case studies, NGO speakers, CR professional speakers, and others like e-learning, discussion forums, and simulations (Matten & Moon, 2005: 330). Increasingly popular is also service learning (cf. 9.4.2.3), in which students acquire practical ethics knowledge through active involvement in community projects (Kenworthy-U'Ren, 2008). This applies to all levels of education, including graduate and executive subjects (ibid.: 812).

9.4.4 Summary

This section presented three types of instruments: The selection of leaders, on the one hand, and horizontal development (i.e. CR competencies) and vertical development (i.e. change/uplift of mindsets) programmes, on the other. The following Table 22 lists subtypes and exemplary instruments, respectively.

Type of instruments	Subtype of instruments	Exemplary leadership instruments
Selection of leaders	<ul style="list-style-type: none"> Recruiting Career planning (cf. 9.3.4) Induction 	<ul style="list-style-type: none"> CR-oriented interview questions Role plays on values Community involvement with recruits Values-performance matrix Talents as business practice officers Introductory training on CR Employee handbook with CR/values
(Rather) horizontal leadership development	<ul style="list-style-type: none"> Competency management Policy training Specialists training Executive development 	<ul style="list-style-type: none"> Competency definition Compliance training; seminars on values statements; training about new strategy SHE training; sustainable product development; Classroom-based training on overall CR
(Rather) vertical leadership development	<ul style="list-style-type: none"> Interactive teaching tools Service-learning (International) job/project placement Introspective and stress-relieving interventions Coaching/mentoring 	<ul style="list-style-type: none"> Case studies (e.g., moral dilemmas); business simulations Critical pedagogy Stakeholder role plays Volunteering projects with NGO collaboration Multi-sector approaches Secondment Cf. employee community involvement in subsection 9.3.4 Expatriate placement in developing country Placement to external facing roles Meditation; silencing; yoga Leaders as discussion partners for subordinates; ethical mentors Reflective coaching sessions (also as add-on to other interventions)

Table 22 Instruments for “Selection of Leaders and Leadership Development” Related to CR

I also clarified that development programmes are either provided by the organisation itself (i.e. the HRD function), by a corporate university, or by external educational institutions (e.g., business schools, other training providers).

10 Contextual Fields of the RLS Framework

The core fields of the RLS framework stay in close relationship with the three contextual fields *strategy*, *structure*, and *culture* (cf. 8.3). Before clarifying the role of these contextual fields regarding CR, a more general understanding of the nature of these fields is required. The following Table 23 shows the meaning in different literatures and proposes a terminology for this work.

Contextual field/factor	Meaning		
	Siebert (2006: 289) ⁹⁷	Rüegg-Stürm (2005); Bieker & Dyllick (2006)	This work
Strategy	<ul style="list-style-type: none"> • Industry • Corporate strategy • Organisational life-cycle 	<ul style="list-style-type: none"> • Corporate strategy (corporate-level and business-level) 	<ul style="list-style-type: none"> • Corporate strategy
Structure	<ul style="list-style-type: none"> • Organisational structure • (regional) Diversification 	<ul style="list-style-type: none"> • Organisational structure • Process structures • Management systems • Information technology 	<ul style="list-style-type: none"> • Organisational structure
Culture	<ul style="list-style-type: none"> • Corporate culture • National/regional culture 	<ul style="list-style-type: none"> • Implicit culture (e.g., basic assumptions; norms and values) and informal systems (e.g., company language) 	<ul style="list-style-type: none"> • Informal systems and implicit culture and

Table 23 Contextual Fields and Relevant Elements

As indicated in the table above, I focus on corporate strategies (strategy), organisational structures (structure), and informal systems of corporate culture (culture). In the following sections, I review literature with respect to the role of these fields concerning CR.

10.1 Strategy

The contextual field strategy deals with corporate strategy and, more specific, with formal strategies. Dealing with CR on the level of corporate strategy is not new: “Many leading thinkers have predicted that sustainability will become part of strategic thinking” (McIntosh & Arora, 2001). This is also based on the insight that integrating major social and environmental issues into strategies is beneficial for business (Logsdon & Yuthas, 1997: 1219f; Porter & Kramer, 2006; WBCSD, 2006: 2; Zadek, 2004: 126)⁹⁸. Kemp goes even further, stating that “eventually sustainability will be viewed simply as effective strategy” (2004: 32). In the present work, strategies are differentiated in *six development stages of CR* (denial, compliance, efficiency, strategic I, strategic II, and transformative; cf. chapter 6 in Part I). On lower stages, strategies are rather compliance-oriented, whereas in the higher

⁹⁷ Even though this link was not made explicit by Siebert (2006), I propose that the given classification of contextual fields and individual aspects was in the intention of the author.

⁹⁸ See also Part I for the introduction of the business case of CR.

stages firms apply CR to products and services and engage in improving the market context for sustainability-oriented products. Besides mere lip-services, it is of inherent need to formally articulate the organisational aims with regard to CR stages. Accordingly, the following subsections introduce *formal instruments* for the articulation of strategies.

10.1.1 Formal Instruments of Strategy

It is important to make a distinction between implicit and explicit parts of the strategy (Logsdon & Yuthas, 1997: 1222). For example, vision and a mission may be some implicit strategy shared amongst some top managers. However, *selected* strategies are usually formulated into statements on goals, policies, and programmes (Hosmer, 1982: 51) giving clear guidance for the entire organisation. Components of formal strategy are best identified by following the “design school” (Mintzberg, Ahlstrand & Lampel, 1998: 26; also: Welge & Al-Laham 1992/2003: 98) of strategic management. This school centres around a formal strategic planning process as presented in the following Figure 51. The process is rather an iterative process than a purely linear one as indicated by the various feedback loops.

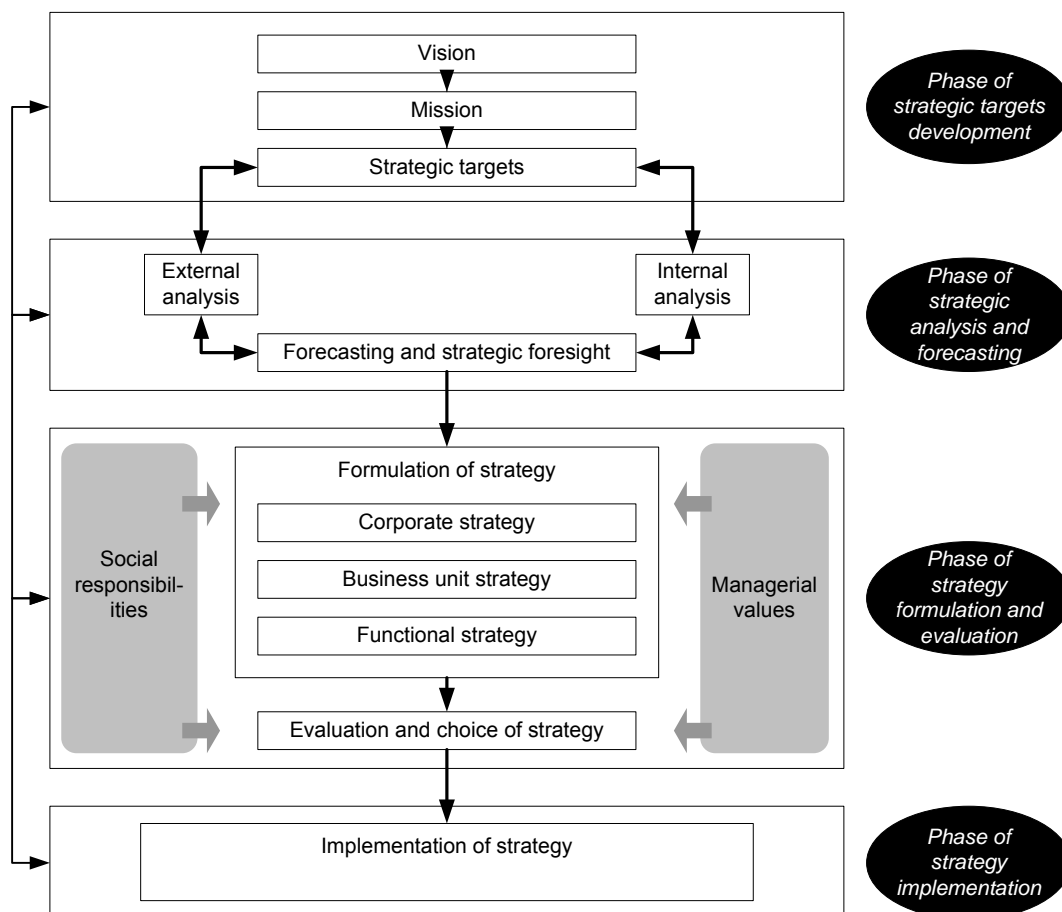


Figure 51 Design School Model of Strategic Management

Source: Based on Mintzberg, Ahlstrand & Lampel (1998: 26) and Welge & Al-Laham (2003: 98)

Scholars identified the role of social responsibilities in the strategic planning process (Brunner, 2006; Eckelmann, 2006; Mintzberg, Ahlstrand & Lampel, 1998: 26; Schmitt, 2005; Wilson,

1974: 2) and the way how stakeholders are considered therein (Carroll, 1995; Logsdon & Yuthas, 1997). Wilson, by describing GE's revised strategic planning process of that time, states:

“One of the prime organizational imperatives for the development of a responsive, operational ‘corporate social policy’ [a synonym for CR] must be reform of the strategic planning process. Indeed, I would argue that this reform is the essential prerequisite to making that true integration of social responsibility and business needs, without which a social policy is all too liable to turn into an empty public relations gesture.” (1974: 2)

The degree to which CR is integrated in strategies depends on the desired level of organisational moral development (Logsdon & Yuthas, 1997: 1219) and, accordingly, on the managerial values (Hosmer, 1982: 51; Mintzberg, Ahlstrand & Lampel, 1998: 26; Rüegg-Stürm, 2005: 28; Steiner, 1969: 33). Whilst, on a normative level, CR strategy seems to be common sense, empirically, the situation is different. Brunner finds that economic criteria outweigh CR-related ones (2006: 158). Another study amongst German MNCs concludes that about 80 percent of companies do *not* integrate CR into their corporate strategy (GTZ, 2006: 21). From an overall perspective, a study in companies based in the UK finds that 58 percent have integrated responsibility into their strategic planning process (Wilson, Lenssen & Hind, 2006: 15). According to Steger (2004: 57), only 26 percent of MNCs regard social and environmental issues in the strategic planning process.

The above findings treat strategic planning as a singular entity and, hence, remain on a very superficial level. In the remainder of this section, I analyse strategies in more detail. Thereby, I am less interested in the actual planning *process* than in the *formal instruments* part of the process including vision, mission, and strategic targets, on the one hand, and selected strategies on corporate, business, and functional level, on the other hand.⁹⁹ These components are described in detail in the following paragraphs.

10.1.1.1 Vision and Mission Statements

A *corporate vision* is “a picture of what the firm wants to be and, in broad terms, what it wants to ultimately achieve” (Hitt, Ireland & Hoskisson, 2007: 19). A *mission statement* is based on the vision and describes its “unique scope of operations and its products or service offerings”, “proclaims corporate purpose”, “identifies the market(s) in which the firm intends to operate”, and “reflects the philosophical premises that are to guide actions” (Ireland & Hitt, 1992: 35). Whilst vision and mission statements are often two separate statements in practice, both rather direct the same purpose, with the only difference that the mission is more detailed

⁹⁹ Other parts of the strategic planning process are also relevant for CR like, for example, the phase of strategic analysis and forecasting. Brunner (2006: 150) reports that companies generally have a good oversight of external sustainability issues as well as of related internal strengths and weaknesses in comparison to their competitors. However, companies often lack to translate identified “sustainability problems” into business actions. For example, Brunner reports that the opposition (media, customers, NGOs) towards sports-utility vehicles (SUV) was identified by automotive companies in a very early stage, however, they did not change their business fast enough, leading to a break down in sales.

than the vision. Accordingly, I follow scholars who treat vision and mission as one interrelated entity (SIGMA, [2003]: 30; Waddock, Bodwell & Graves, 2002: 139).¹⁰⁰

Vision and mission include the *normative core of the corporation*. As such, these elements refer to some aspects of what Ulrich and Fluri (1995: 19) called the “normative level of management”.¹⁰¹ Increased public sensitivity concerning socio environmental issues (Dietzfelbinger, 2004c: 131) demands to built responsibility into the vision, mission, and values statements of the organisation (Kuhndt, et al., 2004: 23; Maak & Ulrich, 2007: 242–247; SIGMA [2003]: 30; Waddock, Bodwell & Graves, 2002: 139). Top management could address this by “building in [...] an ethical imperative in the mission statement” (Minkes, Small & Chatterjee, 1999: 332). This includes, for example, information about the relative importance of various stakeholder groups and the degree to which the company integrates their interests (Eckelmann, 2006: 168; Logsdon & Yuthas, 1997: 1222). This can also include industry or company-specific issues like, for example, advertisement practices for alcoholic drinks or sustainable cultivation of agricultures (Schmitt, 2005: 93). Vision and mission statements are also the basis for the development of objectives and strategies (Ireland & Hitt, 1992: 36; Logsdon & Yuthas, 1997: 1222). The *development* of vision and mission statements requires the strong involvement of top management (Ireland & Hitt, 1992: 40; Waddock, Bodwell & Graves, 2002: 140), thus, they are a strong indicator of top management’s philosophy (Logsdon & Yuthas, 1997: 1222).

From an empirical perspective, CR is indeed incorporated in corporate vision and mission statements (Brunner, 2006: 138,139). According to an international survey, 71 percent of executives state that their firm contributes to wider responsibilities within the corporate vision (Wilson, Lenssen & Hind, 2006: 15). According to a survey, about one third of fortune 500 companies have embedded explicit statements to contribute to the social betterment of society in their mission statements and credos (Austin, 2006: 204).

Incorporating CR into vision and mission statements should acknowledge several *limitations* and related challenges:

- Vision and mission are, by nature, rather abstract statements (Brunner, 2006: 138f), often comparable across companies. However, statements should be company-specific, otherwise they risk being interchangeable and empty phrases (BMU, econsense & CSM, 2007: 136).
- The increased number of relevant stakeholders makes mission development that addresses stakeholder satisfaction a challenging task (Ireland & Hitt, 1992: 37).
- Often, claims made in vision and mission statements are not cascaded into strategic targets. The latter are dominated by targets addressing markets and revenues — non-financial targets are less important (Eckelmann, 2006: 168). Moreover, companies refrain from cancelling strategic targets which are conflict with CR (ibid.: 165). Also, Brunner (2006: 139) finds that, in contrast to financial aspects, CR issues do not translate into corporate

¹⁰⁰ Also, corporate vision is often linked to corporate values statements (Waddock, Bodwell & Graves, 2002: 145), which I presented in subsection 9.1.1.

¹⁰¹ Still, Ulrich and Fluri (1995: 22) stress the importance of treating normative and strategic aspects of management as separate entities.

practice; he, thus, regards vision statements relatively unimportant for successful CR (Brunner, 2003: 24).

10.1.1.2 Strategy Hierarchy

In the *phase of strategy formulation and evaluation* (cf. Figure 51), more precise strategies are defined and evaluated to meet strategic goals of vision and mission statements (Bea & Haas, 2005: 70).¹⁰² Schendel and Hofer (1979) differentiate an entire hierarchy of formulated strategies, namely corporate, functional, and business-level strategies. In the following, all three strategy types are elaborated further.

10.1.1.2.1 Corporate and Business Strategy

The task of *corporate strategy* is to formalise corporate goals of the rather generic vision and mission statements in more detail. Concerning CR, Porter and Kramer (2006: 89) argue that “the most strategic CR occurs when a company adds a social [i.e., social or environmental] dimension to its value proposition, making social impact integral to the overall strategy”. This addresses the question in how far the product portfolio is modified according to social and environmental criteria (e.g., life cycle analysis; product stewardship). Further, companies have to determine if and how they want to address sustainability-relevant markets. Such markets can either be eco-niche markets, can include the fast growing LOHA markets, and — which is discussed more recently — could address bottom of the pyramid markets. One means to make CR part of corporate strategy is to establish a (partial) *CR portfolio*. This became popular through GE’s “Ecomagination” strategy (Epstein, 2008a: 22,253; Heslin & Ochoa, 2008: 142; Mirvis & Googins, 2006: 116). Such a portfolio strategy defines a set of existing technologies, products, and solutions contributing to sustainability (in fact, mostly environmental technologies); *investment plans* and *market goals* are also established. Whilst nurturing sustainability, the strategy is based on the insight of growing green markets and, hence, primarily focused on profit (Bekefi & Epstein, 2008: 43; Epstein, 2008a: 253).

Overall, however, CR seems to be less present in corporate strategies than in vision and mission statements. Companies predominantly follow growth strategies and global strategies. Furthermore many companies follow disinvestments of units which are off core business or less successful (Brunner, 2006: 152; Eckelmann, 2006: 179–182). Considering that not all CR-related business is as profitable as the green technologies described above, disinvestment of less successful business units can be misleading under a CR paradigm.

Business strategies are also important for CR (Epstein & Roy, 2003b: 81). They are derived from corporate strategies and are further specified according the specifics of each business unit. Besides other strategy types (e.g., Bea & Haas, 2005: 169), Ansoff’s product/market matrix (1979) is at the core of these business unit strategies. It determines with which products and on which markets business units compete. Still, empirical evidence shows that companies rarely integrate any of the higher-level sustainability claims into business strategies (Brunner, 2003: 26; Eckelmann, 2006: 189; Steger, 2004: 47).

¹⁰² Strategy formulation is often intertwined with “strategic goals” (phase one in the strategic planning process, cf. Figure 51) in a way that a separate, clear-cut treatment is often not possible (Eckelmann, 2006: 179).

10.1.1.2.2 *Functional Strategy*

Each corporate function can develop proper strategies to support corporate and business-level strategies and can address CR within these (Eckelmann, 2006: 187f). Functional strategies include, amongst others, procurement, production, HR, technology, and finance strategies (Bea & Haas, 2005: 189). Empirical evidence shows that these functions address CR only in very limited ways. For example, operations management traditionally drives efforts in so called EHS programmes; HR aims at establishing shared values. Other departments such as finance and marketing seem to be major barriers for sustainability action (Steger, 2004: 52f; also: 10.2.1.3).

Whilst CR-related aspects are part of all of the above functional strategies (Eckelmann, 2006: 186f), a *dedicated CR strategy* is in responsibility of the CR function (ibid.: 52,186; Steger, 2004: 46). A formulated CR strategy (Epstein & Roy, 2003b: 80) is explicitly required by the Global Reporting Initiative (Steger, 2004: 47). Such a CR strategy is framed by corporate strategy (AMA, 2007: vi; Eckelmann, 2003: 18), integrates corporate values (cf. 9.1.1) and goals (cf. 9.1.4), and defines which social and environmental issues are addressed (Epstein, 2008a: 64; Epstein & Roy, 2001: 591).¹⁰³ On a more advanced level, CR strategies can also link to financial performance by applying a business case perspective (Epstein & Roy, 2003b: 89). About three quarters of public listed companies have publicly communicated CR strategies in place. For roughly 60 percent, the CR strategy is also key for the definition of content considered for external reporting (KPMG, 2008: 22, 38).

CR strategies often lack a high level formalisation (Eckelmann, 2006: 189) or are not even labelled as such (Salzmann, 2003: 14). Also, in the sense of issues management (Wartick & Cochran, 1985: 766; Wartick & Rude, 1986), they are sometimes limited to a set of individual “*issues strategies*” (e.g., a strategy on carbon reduction or on handling diversity) and lack an overarching approach (Brunner, 2003: 26; Steger, 2004: 47).¹⁰⁴

10.1.2 Challenges

Concerning CR, formal strategies (independent from their level) face different *challenges*: Generally, the formal strategic planning process (which leads to explicit strategies in the form of vision/mission, on the one hand, and corporate, business, and functional-level strategies, on the other) is questioned: Some argue that this strategy school is too much focused on prescribing the ideal process (Mintzberg et al., 1998: 4f). Deiser (1994), calling for a “*post-conventional*” *strategic management*, goes one step further: He places interaction with stakeholders at the heart of strategy and asks for a concept of “strategic competence” instead of following the traditional strategy process (analysis, formulation, implementation). He defines strategic competence as “an organization's ability to interact, at any given time and under changing circumstances with and within the relevant environmental context, in an efficient and effective way, leaving all players in a win-win-situation” (ibid.: 175).

¹⁰³ Additionally, Kirchoff (2006: 24) regards organisational structure as part of CR strategies.

¹⁰⁴ Whilst I treat issues strategies as part of CR strategies on the functional level, other researchers suggest to regard them as separate level at the bottom of the strategy hierarchy (Brunner, 2003: 26; Eckelmann, 2006: 189; Steger, 2004: 48).

One particular challenge exists concerning the *regional scope* of strategies. As Epstein (2008a: 67, 591) states, the common corporate rule of thumb “think global but act local” brings challenges for CR management, so that it is not always easy to decide between global CR strategies and localised versions:

“Companies want to think globally and develop corporate strategies that are consistent throughout the countries and business units through which they operate. But at the same time, they want to act locally and have a local presence to attract and maintain business and adapt corporate practices to country cultures and competitive conditions. [...] Global organizations must struggle with the balance between one worldwide corporate sustainability standard for management systems and performance, on the one hand, and widely different local government regulations and competitive pressures, on the other.” (ibid.: 67)

The following challenges particularly relate to the *corporate and business level*:

- Large companies tend to see CR more as risk than as opportunity, both in external analysis and forecasting (Brunner, 2006: 149; Eckelmann, 2006: 176). This makes CR less relevant for strategy formulation, especially on corporate and business level. For example, members of the CR function are seldom integrated in corporate strategy development (GTZ, 2006: 29). Also, executives often oppose an integration of CR into corporate and business level strategies because they regard their business model “just as it is” in line with CR; for example, companies in the pharmaceutical sector argue that a successful (pharmaceutics) business leads to better access to medicals and, hence, serves humanity (Eckelmann, 2006: 182f); retailers like Wal-Mart argue that they were responsible simply because they provide low-priced goods (Heslin & Ochoa, 2008: 126, 127). Though this argumentation is not entirely wrong (i.e. it resonates with the responsibility to provide broad groups of customers and consumers with products and services), overall, this perspective over-simplifies the understanding of CR and neglects responsibilities towards other stakeholders and issues (e.g., personnel and supply chain practices, environmental concerns, ethical concerns and marketing practices).

Concerning dedicated CR strategies (on the *functional level*), challenges are the following:

- One challenge is reflected in the question “whether a revolutionary sustainability strategy in response to increasing stakeholders’ demands could or would completely change the corporate strategy and the company’s business model” (Eckelmann, 2003: 18). Researchers find that this is seldom the case (Eckelmann, 2006: 189; Steger, 2004: 47)
- Also, researchers discuss whether *CR strategies* — separate from corporate strategy — are required at all and “whether such a strategy could possibly be formulated” (Eckelmann, 2003: 17). Also, some practitioners argue that strategies on an *issues level* suffice (Brunner, 2003: 26).

10.1.3 Summary

With respect to the contextual field “strategy”, I have argued that the degree of CR integration into these strategy instruments is determined by using the “*six stages of CR*” as assessment framework. I introduced two types of instruments: First, CR integration is necessary in the overarching, high-level strategy represented by *vision and mission*. In a second step, CR also needs to be considered in *formal strategies in diverse hierarchical levels* (i.e. corporate and

business level as well as functional level). Issues-level strategies for CR are also important, but are not focused in this work. Table 24 below summarises the introduced instruments.

Type of instrument	Subtype	Examples
<ul style="list-style-type: none"> • Vision and mission 	<ul style="list-style-type: none"> • Vision statement • Mission statement 	<ul style="list-style-type: none"> • Vision/mission based on stakeholder approach; addressing sustainable development
<ul style="list-style-type: none"> • Formal strategies 	<ul style="list-style-type: none"> • Corporate strategies • Business strategies • Functional strategies • (Issues strategies) 	<ul style="list-style-type: none"> • (Partial) sustainability portfolio • Niche markets (e.g., organic; fair-trade; LOHA) • Base of the pyramid (BOP) strategies • CR strategy • HR strategy integrating CR • EHS strategy • R&D strategy (product development guidelines) • CO₂ strategy; diversity strategy

Table 24 Formal Instruments for CR-Oriented Strategies

10.2 Structure

In the sense of “structure follows strategy” (cf. Mintzberg, Ahlstrand & Lampel, 1998: 35; Steger, 2004: 51), CR structures are a means to nurture CR strategies (Bieker, 2005: 110f). Still, structures can also have influence on strategy because, in fact, strategy formulation is embedded in the structures (Mintzberg, Ahlstrand & Lampel, 1998: 35). This is especially the case when CR strategies lack institutionalisation or remain separate from business strategies (Salzmann, 2006: 16). Thus, strategy and structure “each always precedes the other, and follows it” (Mintzberg, Ahlstrand & Lampel, 1998: 35). As stated at the beginning of this chapter, I focus on *organisational* structures.

10.2.1 Organisational Structures

CR needs to be incorporated in organisational structures (Loew & Braun, 2006: 22). This is achieved by two fundamentally different approaches: On the one hand, CR can be regarded as a responsibility of a *separate* organisational unit and, on the other hand, as responsibility of *each staff member* (Müller & Siebenhüner, 2007: 236; Quinn & Dalton, 2009: 30). In more detail, Epstein (2008a: 90) regards the following three generic forms (Figure 52).

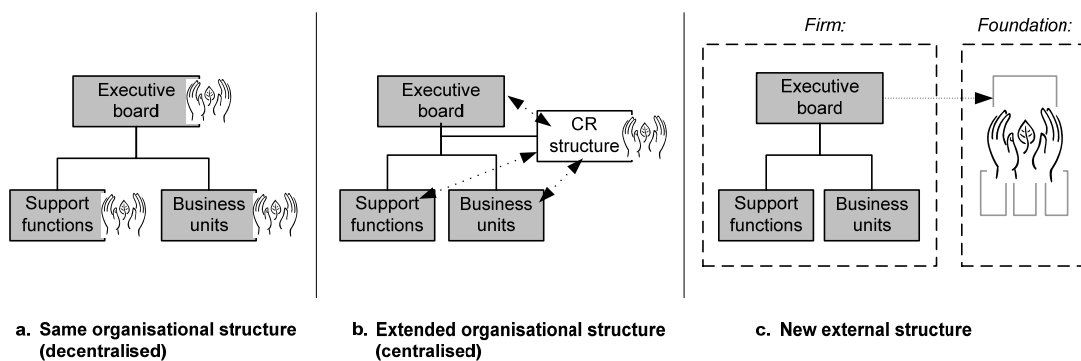


Figure 52 Generic Forms of Organisational Structures for CR

Source: Based on Epstein (2008a: 90)

When CR is managed in *decentralised* fashion (a), CR is an add-on task for employees of the existing units. *Additional CR structures* (b) are employed to coordinate and manage CR. *Adding a new external structure* (c), is often the option for managing corporate community involvement. For example, many companies establish a foundation which primarily addresses philanthropic responsibilities of the firm (Epstein, 2008a: 98; Hess & Warren, 2008: 182). The three generic forms described are also followed simultaneously.¹⁰⁵ In the remainder of this subsection, I focus on both decentralised and extended organisational structures (external structures are out of scope of this work simply because they are not an inherent part of the firm).

A first insight about who in the organisations is appointed with responsibility for CR is given by a worldwide study amongst senior managers (Economist Intelligence Unit, 2007). It shows that CR is in responsibility of diverse organisational entities (Figure 53).

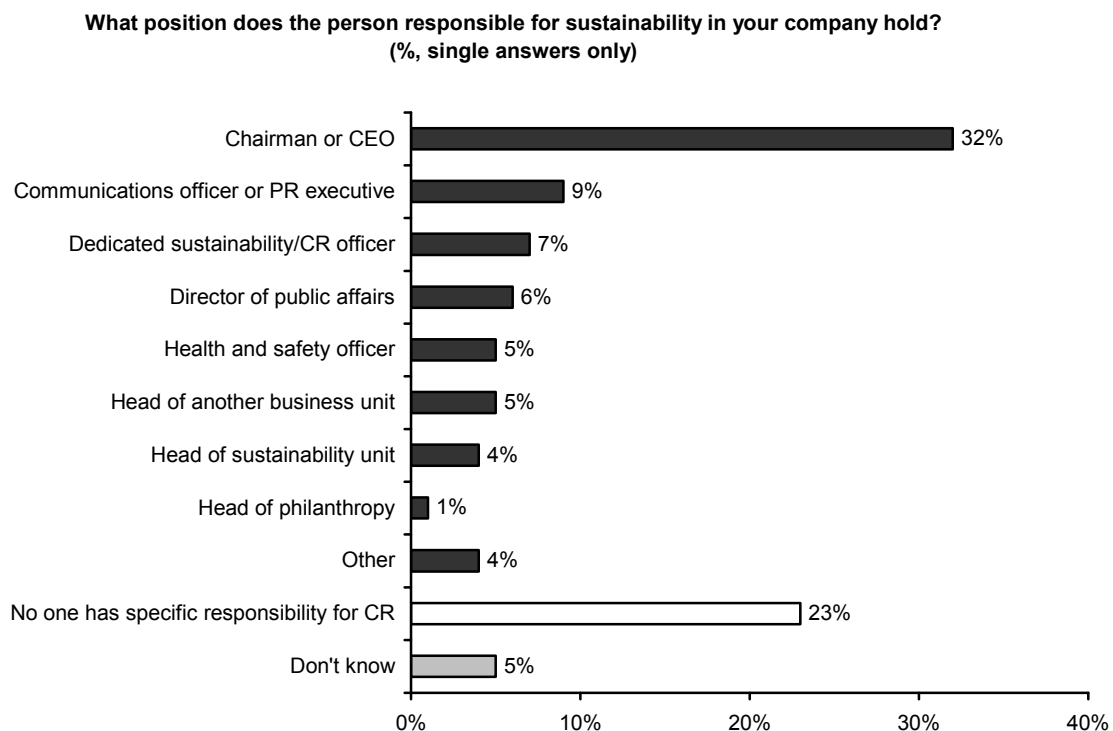


Figure 53 Organisational Responsibility for CR in Companies Worldwide (n=1164)

Source: Economist Intelligence Unit (2007: 7)

Regarding the various hierarchical levels included in the answers of the above chart, it is difficult to understand the precise setting: For example, when the CEO is (overall) responsible for CR, is there also an additional CR officer on a lower level?¹⁰⁶ A more informative

¹⁰⁵ For example, corporations with a separate CR department can, at the same time, regard CR as a responsibility of line management. Firms addressing societal needs by an external foundation, can still maintain an internal organisational unit to respond to CR issues.

¹⁰⁶ Another large empirical study in German MNCs is equally imprecise in this regard (c.f. Bertelsmann Stiftung, 2005b: 27). Besides not clearly documenting the methodology used, the study asks about the “responsibility of CSR within the corporation” and presents answers ranging from “board of directors”, over departmental responsibility (public relations, HR), to cross-functional committees.

approach distinguishes between “unit responsible” and “hierarchical responsibility” (Steger, 2004: 50f).¹⁰⁷ This is best achieved by analysing different organisational levels, including (executive) board level, corporate level, functional level, and business level (Brunner, 2006: 166; BSR, 2002). Table 25 gives an overview of structures and responsibilities at these levels.¹⁰⁸

Hierarchical level	Organisational element		
Board level	Entire board / selected board member(s) / CEO Role: Overall responsibility for corporate sustainability management Power: High, specification of fundamental direction of sustainability		
Corporate level	CR / sustainability unit (Committee, team, department, delegates, task force) Role: Promotion, coordination, and information and communication of sustainability management Power: Limited, rather consultative / facilitation of decision processes		
Functional level	Environmental, health, and safety (EHS) (committee or department) Role: Assure EHS in production Power: High	Research and development (R&D) (committee or department) Role: Develop products Power: High	Public affairs / corporate communication (department) Role: Interface to environment & stakeholders Power: High
Business level	Production sites Role: Execution Power: Limited, operative decisions	Brands and markets Role: Execution Power: Limited, operative decisions	Brands and markets Role: Execution Power: Limited, operative decisions

Table 25 Four Levels of Organisational Responsibility for CR

Source: Translated based on Brunner (2006: 166)

I describe the first three levels (board, corporate, and functional level) in more detail in the following paragraphs. The business level, is also important for CR (e.g., Bieker & Dyllick, 2006: 94; Cogan, 2006: 35; Epstein, 2008a: 89, 92; Epstein & Roy, 1998; Epstein & Wisner, 2001a: 10; Kuhndt, et al., 2004: 23; Salzmann, 2006: 89) because it is “responsible for implementation” (Brunner, 2003: 28); however, this is not in the scope of this work.¹⁰⁹

10.2.1.1 Executive Board Level

A decisive question in regard to organisational structure of CR is the assignment of *responsibility at the highest governance body* (GRI, 2006: 22). A majority of companies report that CR is under responsibility of the executive board. This is criticised for being an over-simplification because, ultimately, any corporate activity remains under the responsibility of the executive board (Loew & Braun, 2006: 26).

¹⁰⁷ Furthermore, he analyses the “historical evolution” of the responsible entities.

¹⁰⁸ The level of the supervisory board is another entity with increasing importance for CR (Doh & Stumpf, 2005), however, not in the scope of this work.

¹⁰⁹ According to Bieker and Dyllick (2006: 94), one organisational measure to address CR on the business level, is to appoint responsibility for CR also to line managers enabling them to use time and resources for the support of (corporate) CR tasks.

There are, however, differences in the way CR responsibilities are *shared amongst board members* (Clausen & Loew, 2009: 68). Companies may appoint CR primarily to the *board in its entirety*, to *specific board members*, or even to the *CEO* (Economist Intelligence Unit, 2007: 7; Loew & Braun, 2006: 26; Spitzeck, 2009b; Steger, 2004: 50f). With *overall board responsibility*, inquiries demand a more sophisticated and formalised preparation, and decisions are limited to fixed board meetings (Loew & Braun, 2006: 2, 27). It is thus questionable, whether this is an effective power structure (Clausen & Loew, 2009: 69). When CR is appointed to *individual board members*, commonly the ones responsible for HR, public affairs, environmental protection/EHS, or operations are considered (RNE, 2006: 7; Steger, 2004: 50f). The appointment to individual board members has the advantage of more direct dialogue with CR bodies and quicker decisions-making. At the same time, as I will explain more in detail later, individual board members are increasingly part of CR committees and, through this, take part in earlier phases of decision-making processes.

Also, some companies neglect board-level responsibility and state that overall responsibility for CR is located at the level just below the executive board (Loew & Braun, 2006: 27); potential structures are presented in the following paragraph.

10.2.1.2 Corporate Level

On corporate level, two major organisational structures exist to address CR: First, a *separate CR unit* and, second, a *cross-functional committee*. These structures can also coexist (Clausen & Loew, 2009: 69). Both structures are further analysed.

10.2.1.2.1 Dedicated CR Unit

More than a half of large firms manage CR with the help of dedicated CR units (KPMG, 2008: 45). The *tasks of the CR unit* is the “overall strategic planning, guidance and coordination” (Epstein, 2008a: 88) of the CR activities. This involves giving direction for the identification, management, measurement, and reporting of social and environmental issues and impacts.¹¹⁰ The unit is also in charge of directing the integration of CR strategy throughout the organisation, also by developing and applying appropriate tools (Bieker, 2005: 110f; Epstein, 2008a: 88:89).¹¹¹ Further, tasks cover reporting, stakeholder dialogue, and the oversight of social and environmental standards concerning production and the supply chain (Loew & Braun, 2006: 28). Overall, the CR unit serves as a coordinator of all involved parties and as an advisor and facilitator for guiding the decision-making processes and, as such, has only moderate power (Brunner, 2003: 28). Sometimes *community involvement* programmes are also a task of the CR department (Loew & Braun, 2006: 28), however, more often this is managed by the marketing or public relation department (Brammer & Millington, 2003: 219), the HR department (Blumberg & Scheubel, 2007: 18)¹¹², a dedicated community involvement

¹¹⁰ In this sense, the CR unit takes over responsibilities from *issues management* bodies, popular in earlier decades (e.g., Wartick & Rude, 1986).

¹¹¹ The tasks of a CR officer are also described by Eckelmann (2006: 195) and Brunner (2006: 167).

¹¹² In large-scale corporations in Germany, community involvement is in 59 percent of the firms in responsibility of the HR department and only in 21 percent the one of the CR department (Blumberg & Scheubel, 2007: 18).

department (de Gilder, Schuyt & Breedijk, 2005: 145), or, as mentioned earlier, by an external foundation.

The *position of the CR unit in the overall organisational structure* is also important to recognise. Either, the CR unit is established as staff activity to the CEO (Wartick & Rude, 1986: 131), or the unit is integrated within other support functions traditionally “close” to the tasks of CR, such as the department for environmental protection, HR, R&D, or communication (Money & Schepers, 2007: 7). Both options have advantages and disadvantages (Bieker & Dyllick, 2006: 94; Epstein, 2008a: 95). The integration in existing support functions has the advantage that they are already well established within the company, which comes at the cost of an unbalanced CR agenda determined by the tradition of that function (Bieker & Dyllick, 2006: 94). For example, integration within the environmental department could lead to an over-emphasis on environmental issues. Moreover, some argue that the chosen department says something about the importance of CR within the corporation (Logsdon & Yuthas, 1997: 1222). As part of the communication department, one may assume that CR is regarded as a public relations affair with less credibility (Brunner, 2003: 32). According to Steger (2004: 50, 51), the *historical evolution* of CR structures mostly roots in the environmental management or EHS department. Concerning the *ideal* organisational set-up, however, CR experts prefer new CR structures over integration into communication or environmental departments (Loew & Braun, 2006: 22).

In order to accomplish its tasks, the CR department depends on *resources*. Besides monetary resources, decision-making authority, and access to top-management (Logsdon & Yuthas, 1997: 1222), particular importance is given to the *amount of employees* exclusively working in the CR unit (Heß, 2007: 165f; Rieth, 2003: 377). According to a study in Germany, the number of employees dedicated to CR is as follows (Bertelsmann Stiftung, 2005b: 27):¹¹³

- More than eleven employees (6%);
- Four to five employees (6%);
- One to three employees (19%);
- No single, dedicated employee (69%).

Other studies focussing on large MNCs show that between two and ten employees usually work for CR in the headquarters (Rieth, 2003: 377; Salzmann, 2003: 14). Besides the number of employees, also the *number of reporting levels* above the CR executive matters (Epstein, 2008a: 94).

10.2.1.2.2 CR Committees

Researchers emphasise the *cross-functional, and interdisciplinary nature of CR* (Bieker & Dyllick, 2006: 94; Brunner, 2006: 167,168). Accordingly, linkages to other departments and units are key to success (Schaltegger & Wagner, 2006a: 3; Wartick & Cochran, 1985: 134). Possible structures to address this cross-functional nature are *CR committees*, also labelled “council” or “task force” (Brunner, 2003: 28; Loew & Braun, 2006: 38; Spitzeck, 2009b;

¹¹³ The study includes mostly middle-sized firms and, thus, does not represent the characteristics of large MNCs.

Wartick & Rude, 1986: 131; Weaver & Treviño, 1999: 544; de Wit, Wade & Schouten, 2006: 494).

CR committees consist of delegates or representatives of all major corporate functions, including the CR unit described above (Salzmann, 2003: 15; de Wit, Wade & Schouten, 2006: 494) and the business units (Cogan, 2006: 35; Epstein, 2008a: 89, 92; Salzmann, 2003: 15). CR committees aim at bringing together information and knowledge as well as at facilitating shared understanding and decision making, whilst widely maintaining existent functional structures of responsibilities and power (Loew & Braun, 2006: 28). They meet on a regular basis, usually several times the year. In the past, committees produced only recommendations, which were then subject to top-management decisions (Wartick & Rude, 1986: 131). In contrast, to date, *board members* often have a seat in the committee and provide this body with greater *decision-making power* (Loew & Braun, 2006: 38; Spitzbeck, 2009b). Committees may also establish *cross-functional project teams* for conducting rather operative tasks (de Wit, Wade & Schouten, 2006: 494). Based on empirical data, Spitzbeck finds that CR committees are beneficial for overall CR performance (2009b).

Another means to engage in cross-functional collaboration for CR are *CR champions networks* (Doppelt, 2003; Doughty Centre, 2009; cf. 9.3.2.2). Whilst often initiated on corporate level, they consist of individuals across the entire company and promote CR in decentralised, cross-functional fashion (Doughty Centre, 2009). As “network”, they are a less formalised organisational structure. Often, participating employees are intrinsically motivated with regards to CR (SustainAbility, 2008).

10.2.1.3 Functional Level

On the functional level, organisational structures foremost refer to the existing support functions. They are crucial for successful CR (Epstein & Wisner, 2001a: 10; Schaltegger & Wagner, 2006a: 3; Steger, 2004: 51; Wartick & Cochran, 1985: 134). First, delegates of support functions are part of the *cross-functional committees* described in the prior paragraph. Second, the responsibility for CR-related (operative) projects mostly remain in the functional units (Loew & Braun, 2006). Empirical findings show that not all functions equally support the implementation of CR: Marketing and sales as well as finance are rather sceptical; corporate strategy remains ambiguous; other functions like HR, EHS, R&D, and operations are rather proactive; corporate communication is the strongest promoter of CR (Brunner, 2003: 28, 30-32; Steger, 2004: 52f).¹¹⁴ Details are described in more detail in Table 26.¹¹⁵

¹¹⁴ A recent study in Germany comes to more balanced results regarding the different functions (Clausen & Loew, 2009: 73).

¹¹⁵ The roles of different functions in contributing to CR can also be visualised in the form of primary activities and support activities (Epstein, 2008a: 91) following Porter’s value chain model (1998).

Function	Attitude		Tasks
	Overall	Detail	
Communication/ public affairs	++	Strong promoter of CR	Sells CR to external stakeholders Provides external feedback to CR unit
Human resources	+	Naturally concerned with social and labour issues, especially in Europe Mostly promotes CR. However, a large variety between firms	Setting up guiding principles, corporate values, etc.
Environment, health and safety (EHS)	+	Traditionally heads the move towards CR	Assurance of EHS issues in operations; EHS management programmes
Operations	+	Acknowledges eco-efficiency aspects as measure for cost reduction	Environmental management and standards Eco-efficiency
Research & development	+	Often pro-active because used to anticipation of future developments	Improve environmental and safety aspects of products
Corporate strategy	+/-	Neutral to CR — does not see relevance yet	Involvement in risk management Consultation with CR function
Marketing and sales	-	Limited involvement or even opposition; regards CR as revenue-reducing	Collect product-related information concerning sustainability Pro-active customer dialogue about sustainability Offer additional services
Finance/controlling/ investor relations	-	Short-term profit orientation leads to resistance and opposition	Provides information to capital markets and to sustainability indices

Table 26 Attitudes and Tasks of Functions towards CR

Source: Based on Brunner (2003: 28, 30-32) and Steger (2004: 52f)¹¹⁶

Sometimes, additional organisational structures are established on the functional level. Comparable to CR committees, *issues-specific committees* sometimes have a stronger focus on, for example, EHS issues (de Wit, Wade & Schouten, 2006: 494), compliance and ethics (Paine, 1994: 113; Sims, 2000: 69), risk management (Carter & Rogers, 2008: 366), or corporate volunteering (PLF, 1999: 4). Also, a regional focus is possible (Epstein, 2008a: 89; Salzmann, 2003: 15).

10.2.2 Challenges

CR-oriented organisational structures are *challenged* in various ways: First, dedicated CR structures are at risk to become a *parallel organisation* without contact to real business, strategy, and organisational culture (Doughty Centre, 2009: 8; Schaltegger & Wagner, 2006a: 2). Accordingly, Epstein states that “[y]ou can no longer delegate [...] responsibility to some functional department” (Epstein, 2008a: 62). Even though CR officials have formal titles like “vice president” and report to the CEO or board, research shows that they are not part of the

¹¹⁶ I slightly extended the original tables, by adding the EHS section, which Brunner addressed in an earlier part of his work (2003: 28).

executive board and have only infrequent contact with the CEO (Treviño, Brown & Hartmann, 2003: 9; Weaver, Treviño & Cochran, 1999). A parallel organisation stays in contrast to the CR vision of *integration* into business, which requires the participation of a large group of business managers. A separation, further, fails to take influence in selecting CR-oriented business strategies (Schaltegger & Wagner, 2006a: 2).

Second, besides the analysis of organisational structures located in headquarters, there is also a *geographical or regional organisation* (Rüegg-Stürm, 2005: 37). Especially in large MNCs operating in countries on all continents, regions, and cultures, the global structure for CR is a challenge in its own right. *Balancing global and local perspectives* is regarded as key ability for CR (Wilson, 2006: 22, 24-26). In this regard, companies have to decide on the right balance between regionally centralised (low level of autonomy) and decentralised (high level of autonomy) organisational designs (Epstein & Roy, 2001: 593). This also requires to be in line with the nature of the CR strategy (Epstein, 2008a: 87).

10.2.3 Summary

In this section, I presented organisational structures on three different levels: Board level, corporate level, and functional level. The possible structures and mechanisms are summarised in the following Table 27.

Type of structure	Subtype	Examples
Board level	<ul style="list-style-type: none"> Overall (hierarchical) responsibility 	<ul style="list-style-type: none"> CEO; Entire board; single vs. multiple board members
Corporate level	<ul style="list-style-type: none"> Membership in decision-making bodies Centralised 	<ul style="list-style-type: none"> Participation in corporate-level committees CR unit CR committee
	<ul style="list-style-type: none"> Decentralised (though managed on corporate-level) 	<ul style="list-style-type: none"> Champion networks
Functional level	<ul style="list-style-type: none"> Support functions/departments Additional function-specific committees 	<ul style="list-style-type: none"> Environment, health, and safety (EHS) HR Public affairs/communication Risk management EHS committee Compliance committee Reputational risk committee

Table 27 Formal Organisational Structures for CR

10.3 Culture

10.3.1 Corporate Culture

The understanding of what corporate culture actually means is very diverse and varies especially concerning the *components of culture* (Sackmann, 2006a: ch. 3). One school focuses on the *formal artefacts* like systems, policies, and processes as part of corporate culture (e.g., Treviño, 1990; Wilson, Lenssen & Hind, 2006: 31). Following this approach, the entire responsible leadership systems framework (being developed in the present Part II) with

all formal systems, instruments, methods, and tools would be considered part of the corporate culture, then, the RLS framework would not only take a leadership perspective, but also a cultural (change) perspective (which, according to Schein 2004, is two sides of the same coin). Whilst I generally support this conceptualisation, this perspective on culture does not resonate with the concept of a *contextual field* “culture” which is, by definition of the RLS framework, virtually distinct from the other fields of the framework. Thus, I follow another school of culture which focuses on rather *implicit aspects like thoughts, values, and behaviours* (e.g., Doppelt, 2003: 74; Sackmann, 2002; Schein 1985/2004). More specific, I follow Sackmann (2005: 308), according to which culture is

“a set of basic understandings commonly held by a group of people. This set is distinctive of the group and the understandings serve as guides to acceptable and unacceptable perceptions, thoughts, feelings and behaviors. They are learned and passed on to new members of the group through social interaction and may change over time.” (ibid.: 308)

Additionally, I also regard *informal systems* (Tenbrunsel, Smith-Crowe & Umphress, 2003: 291f; Treviño, 1990: 208–212) as part of culture. The following Table 28 lists various elements of informal systems.

Informal system	Properties
Norms	<ul style="list-style-type: none"> • Informal organisational norms, i.e. how employees, co-workers, etc. act; very influential behavioural guides
Heroes and role models	<ul style="list-style-type: none"> • Heroes: Symbolic figures, not necessarily present anymore; personification of organisational values • Role models: Superiors or more experienced co-workers who take influence to either ethical or unethical conduct
Rituals	<ul style="list-style-type: none"> • Expressive events recognising appropriate and inappropriate conduct (e.g., firing an executive; providing awards to performing members; induction and basic training)
Myths, sages, and stories	<ul style="list-style-type: none"> • Informal communication network • Anecdotes about a sequence of events from the organisational history; characters of the story are employees or corporate heroes; • Myths are upheld in rituals or annual reports
Language	<ul style="list-style-type: none"> • Used to communicate values to organisational members; language skills for discussing ethical concerns are necessary; language can influence ethical conduct

Table 28 Informal Systems of Culture

Source: Based on Treviño (1990: 208–212)

The following Figure 54 clarifies the terminology used in this work by relating the RLS framework to Tenbrunsel’s model of the “ethical infrastructure” (2003).

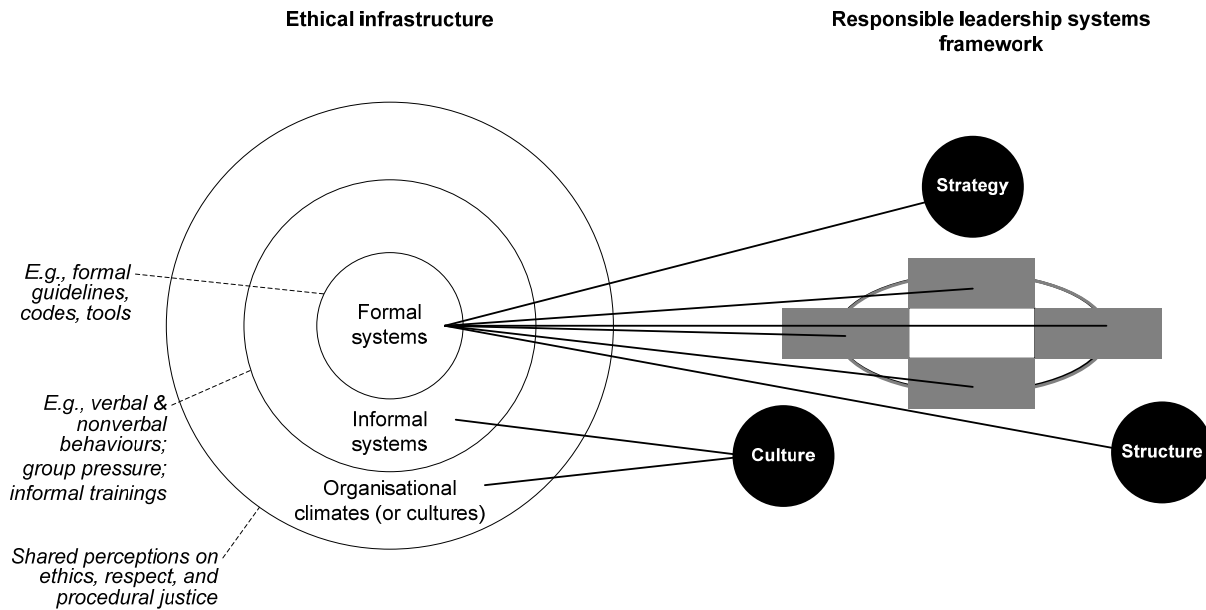


Figure 54 Links Between Responsible Leadership Framework and Ethical Infrastructure

Source: Based on Tenbrunsel, Smith-Crowe & Umphress (2003: 287)

A vast body of literature shows anecdotal evidence that corporate culture plays a role for CR (Ballhaus, 2007: 15; McIntosh & Arora, 2001: 5.0.2; Pohl, 2006: 57; SIGMA, [2003]: 34; Treviño et al., 1999: 145; Wade, 2006: 231f). Mostly, cultural integration is regarded as necessary means to involve the entire organisations on all levels and all functions, as well as in day-to-day business (Brunner, 2006: 188; Pohl, 2006: 57; Treviño, 1990). Several authors (Brunner, 2006: ch. 4.5.2; Eckelmann, 2006: 207–209; Treviño, 1990; Wilson, 2006) have, furthermore, empirically identified that the role of corporate culture for CR is the one of a *critical success factor* (Bertelsmann Stiftung, 2005b: 11; Wilson, Lenssen & Hind, 2006: 31).¹¹⁷ To quote Wilson (2006: 31): “One cannot ignore the relationship between corporate responsibility and corporate culture”.

A precondition to develop a *culture of responsibility* is “openness” and a “learning-orientation” (Müller & Siebenhüner, 2007: 236). Eckelmann cites an interview partner as follows:

“Without having an open culture supporting the company’s social and ecological responsibility approach, no individual employee and no company as a whole can credibly live and communicate being sustainable. A company is only as ecologically and socially responsible as the very last employee is ecologically and socially responsible.” (2003: 16)

Further insight is given by literature from the area of ethics. Victor and Cullen (1988: 104) theoretically defined a set of nine *types of ethical culture* including a culture of “social responsibility” which stresses the consideration of the public in organisational decision-

¹¹⁷ The study conducted by Bertelsmann Stiftung shows that the greatest consensus between German executives exists concerning corporate culture: 87 percent acknowledge that it is important for CR (Bertelsmann Stiftung, 2005b: 11).

making. Based on empirical findings, these were later merged down to five distinct types of ethical culture. These are presented in the following Table 22¹¹⁸ (thereby, “caring” covers also the earlier referenced culture of “social responsibility”). Types of culture co-exist with different proportions within individual organisations (Treviño, Butterfield & McCabe, 1998: 449).

Culture type	Properties
Caring	<ul style="list-style-type: none"> • Concerning the good of all the employees • Looking out for each other’s good • It is expected to do what is right, for the customers and public
Law and code	<ul style="list-style-type: none"> • Strictly following legal and professional codes
Rules	<ul style="list-style-type: none"> • Strictly following company procedures
Instrumental	<ul style="list-style-type: none"> • Protecting own interest above all else • Doing anything to further the company’s interest
Independence	<ul style="list-style-type: none"> • Following own personal and moral believes

Table 29 Ethical Culture Types

Source: Based on Victor & Cullen (1988: 111–113)

From the perspective of CR, the “caring” culture is most desirable as it strives for the good of a broad set of stakeholders. But also a culture of “law and code” or “rules” can support CR, as long as codes and rules integrate CR aspects. The “instrumental” culture is rather CR averse (Treviño, Butterfield & McCabe, 1998: 470). A culture of “independence” may be both responsible or irresponsible depending on the actors.

More detailed characteristics of a CR-oriented culture is given by the empirical results of Brunner (2006: 189) and Eckelmann (2006: 208). Elements of such a culture are the intergenerational orientation, an orientation towards environmental and social aspects, a stakeholder orientation, and an entrepreneurial posture (Table 30).

¹¹⁸ They originally use the term “climate”, however, climate and culture is regarded as overlapping (Treviño, Butterfield & McCabe, 1998: 474) or even interchangeable concept (Tenbrunsel, Smith-Crowe & Umphress, 2003: 294).

Goals/tasks of a sustainability culture	
<ul style="list-style-type: none"> ▪ Gives orientation by definition and interpretation of corporate values ▪ Supports employees in day-to-day decisions, which do not directly regard sustainability ▪ Develops a common understanding of sustainability and serves as basis for discussions 	
Exemplary elements:	
Foundation of sustainable development	<ul style="list-style-type: none"> ▪ The principle of sustainable development which is a “development that meets the needs of the present without compromising the ability of future generations to meet their own needs” ▪ The ten Global Compact principles
Orientation towards the natural environment	<ul style="list-style-type: none"> ▪ Environmental protection ▪ Obey consumption of non-renewable resources ▪ Respect for the natural eco-system
Social orientation	<ul style="list-style-type: none"> ▪ Promotion of diversity (sex, race, nationality, age) ▪ Respect of human rights and labour rights in worldwide facilities and production sites
Stakeholder orientation	<ul style="list-style-type: none"> ▪ Understanding positions of various stakeholders ▪ No limitation to shareholder-value paradigm ▪ Effort to regard all stakeholder interests ▪ Open dialogue with stakeholders
Entrepreneurial posture	<ul style="list-style-type: none"> ▪ Allow employees to take risks, follow a trial-and-error mentality, and make mistakes ▪ Performance orientation by appraising individual and team performance ▪ Strengthen responsibility for own actions and consequences for the firm and stakeholders
Areas of application:	
Internal & external communication	<ul style="list-style-type: none"> ▪ Promote culture of open communication ▪ Respect opinion of others ▪ Promote credibility ▪ Honesty ▪ Transparency
Decision-making processes	<ul style="list-style-type: none"> ▪ Decision-making criteria transcend financial dimension ▪ Promote a holistic perspective of decision-makers including farther perspectives of own actions ▪ Promote thinking out-of-the-box
Interpersonal relationships	<ul style="list-style-type: none"> ▪ Assurance of just treatment of all employees ▪ Establishment of a concerted, corporate-wide code of conduct

Table 30 Characteristics of a Sustainability Culture

Source: Translated based on Brunner (2006: 189) and Eckelmann (2006: 208)

There are also a number of cultural properties *averse* to CR. Most importantly, a culture of self-interest promotes unethical conduct (Treviño, Butterfield & McCabe, 1998: 470). Further, Bieker (2005: ch. 2.2), based on Ulrich’s (Ulrich 1997/2001, 1997/2008) work, identifies *two mentalities which are counterproductive* for the development of a true CR-oriented culture: Exaggeration of *economic* aspects (“Ökonomismus”), and exaggeration of *technological* aspects and solutions (“Technokratismus”):¹¹⁹

- People caught in the mentality of *Ökonomismus* focus on financial measures and prefer quantitative over qualitative measures. Often their arguments include some kind of “inherent necessities”, for example, the one of “given budgets” dictating to disregard (costly) environmental and social criteria. Part of this mental model is also a “market-

¹¹⁹ A similar finding is reported by Steger (2004: 56).

solves-all” mentality which roots in the metaphor of the “invisible hand” developed by Adam Smith (2008). Herein, market mechanisms always lead to the common good and, in regard to sustainability, markets are foremost the solution to the sustainability challenges (in contrast, markets can also be regarded as a source for today’s sustainability challenges). One step further in this argumentation, it is then the consumers with their demands who control market activities and, thus, sustainability challenges are regarded as *sole* responsibility of consumers, rather than one of corporate management.¹²⁰

- The mentality of *Technokratismus* is characterised by an exaggeration of technology and technical aspects. This includes the sole orientation towards technological feasibility in disregard of what is ethically justifiable. Furthermore, it also implies the belief that any problems in regard to existing technology could be solved by *additional* technology. These beliefs root in a scientific-technical paradigm which regards science as value-free or value-neutral and applies a reductionist approach to problem solving (i.e., complex problems are split into ever smaller pieces to be worked on by specialists). The drawback of this approach is the lack of a holistic picture of the initial problem. Another consequence of reductionists approach is the belief in strictly linear and, thus, predictable development processes, which do not capture the complex, systemic interrelations of the socio-environmental sphere.

10.3.2 Challenges

In contrast to strategies and structures, culture cannot be changed directly (Bieker, 2005: 96), neither culture can be “managed” in a top-down approach (ibid.: 73). It is rather a long-term process which requires significant effort (Bieker & Dyllick, 2006: 97), and may even take several generations of managers to become “an intrinsic part of the business culture” (Wade, 2006: 243). A culture of responsibility is both, a necessary source for the path towards CR and a result of it (Eckelmann, 2006: 207). This relation is best understood by explaining the *systemic nature of culture*: Sackmann (2002: 66) regards corporate culture as a systemic construct which is in constant interplay with strategies, structures, and processes. There is no linearity or simple causality between these elements, but rather a mutual influence. For example, corporate culture, with its attitudes and values for CR, influences strategy because the top-management, which controls the strategy process, is also a bearer of the corporate culture. Culture also influences how leaders establish new structures because the institutionalisation of structures usually represents the culture of the given moment (Bieker, 2005: 97). Vice versa, strategies and structures also influence how CR gets incorporated into corporate culture (Doppelt, 2003: 89). They bring new meaning into the organisation and reflect what the top-management truly values and, thus, change thoughts and behaviour of employees (Bieker, 2005: 96f).

Though the nature of culture is systemic, leadership is still key for CR-oriented culture change progresses (ibid.: 97,127; Brunner, 2006: 194). Most important, leaders (especially the top-management) are regarded as role models (Bass, 1999: 16; Brown, Treviño & Harrison, 2005:

¹²⁰ As elaborated in Part I, consumers indeed influence the CR agenda, however, to date, the consumer “pull” for CR is by far not strong enough.

119) and their “moral coloration” is adapted by subordinates through social learning theory (Jones, 1995: 418f). Further, leaders should engage in a systematic process of cultural change (Brunner, 2006: 190–192; Doppelt, 2003: 70–85; Eckelmann, 2006: 209), which involves changes on all levels of corporate culture: The formal systems as described by the instruments of the present RLS framework; the informal systems, and, through these, the rather implicit thoughts, values, and behaviours of organisational members. An exemplary process is depicted in the following Figure 55.

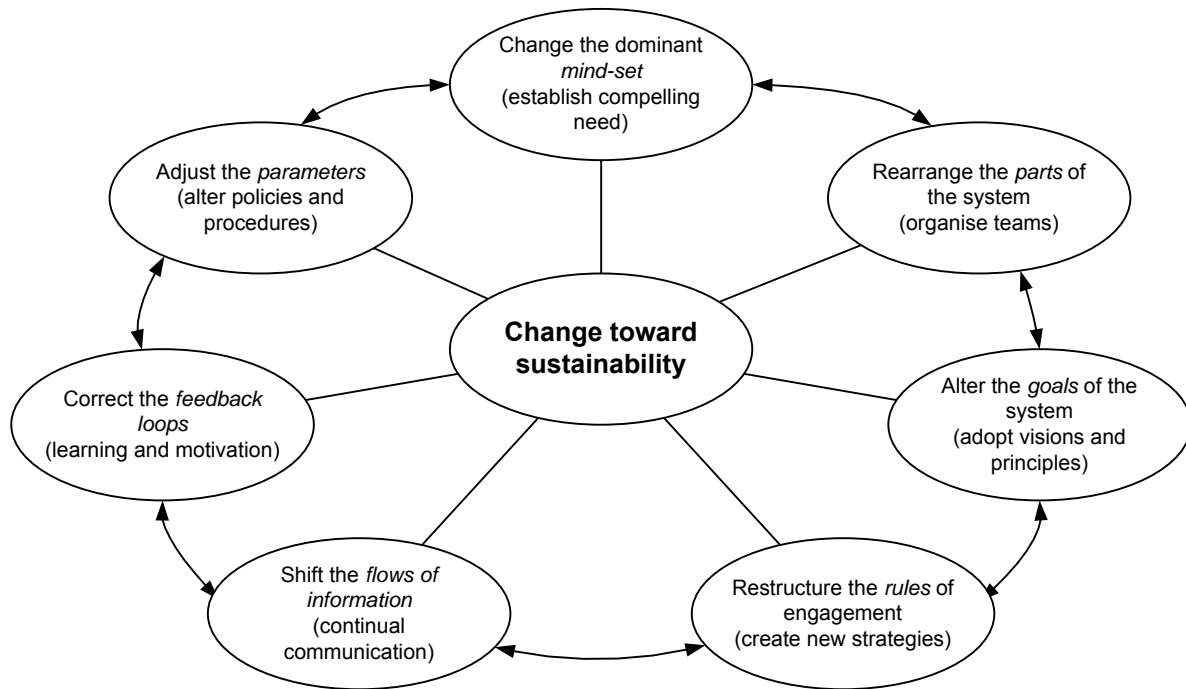


Figure 55 The Wheel of Change Toward Sustainability

Source: Doppelt (2003: 89)

10.3.3 Summary

In this section, I clarified the terminology of corporate culture as used in this work. I consider corporate culture on two levels: I defined the contextual field *culture* to cover two aspects: Informal systems and rather implicit aspects of culture like shared values, thoughts, and behaviours. At the same time, I acknowledged a third level of culture, representing the formal systems or artefacts. This level, however, does not belong to the contextual field *culture*, but to the remaining fields of the RLS framework.

The following Table 31 lists the elements constituting the contextual field culture.

Type	Subtype	Examples
Informal systems	<ul style="list-style-type: none"> • Norms • Heroes and role models • Rituals • Myths, sages, and stories 	<ul style="list-style-type: none"> • Day-to-day behaviour of organisational members • A company founder • Employees with special achievements • Dismissal of executives • Award ceremonies • Anecdotes from corporate history • Upheld through informal communication network, rituals, and formal reports
(Implicit) culture/climate	<ul style="list-style-type: none"> • Language • A set of basic understandings held by the group: Thoughts, feelings and behaviours. 	<ul style="list-style-type: none"> • Language skills to discuss ethical concerns • Pro CR: Caring climate; stakeholder orientation; social orientation; orientation towards the natural orientation; • CR averse: Technokratismus (over-emphasis of technologies); Ökonomismus (over-emphasis of economic aspects)

Table 31 Elements of Contextual Field Culture

11 Summary of Part II

The instruments and tools presented in each section of the RLS framework were summarised at the end of each section. Thus, instead of replicating the large number of instruments again, I rather want to focus on the systemic relationship of the RLS framework and try to bring together the related evidence from the prior sections.

The elements of the leadership framework all stand in a complex relationship with each other (Siebert, 2006: 289). The interdependencies are systemic in nature (Sackmann, 2002: 66; Wilson, Lenssen & Hind, 2006: 31), rather than causal. (Mirvis & Googins, 2006). Linkages exist at least on three levels, as depicted in Figure 56 below and described in the following paragraphs.

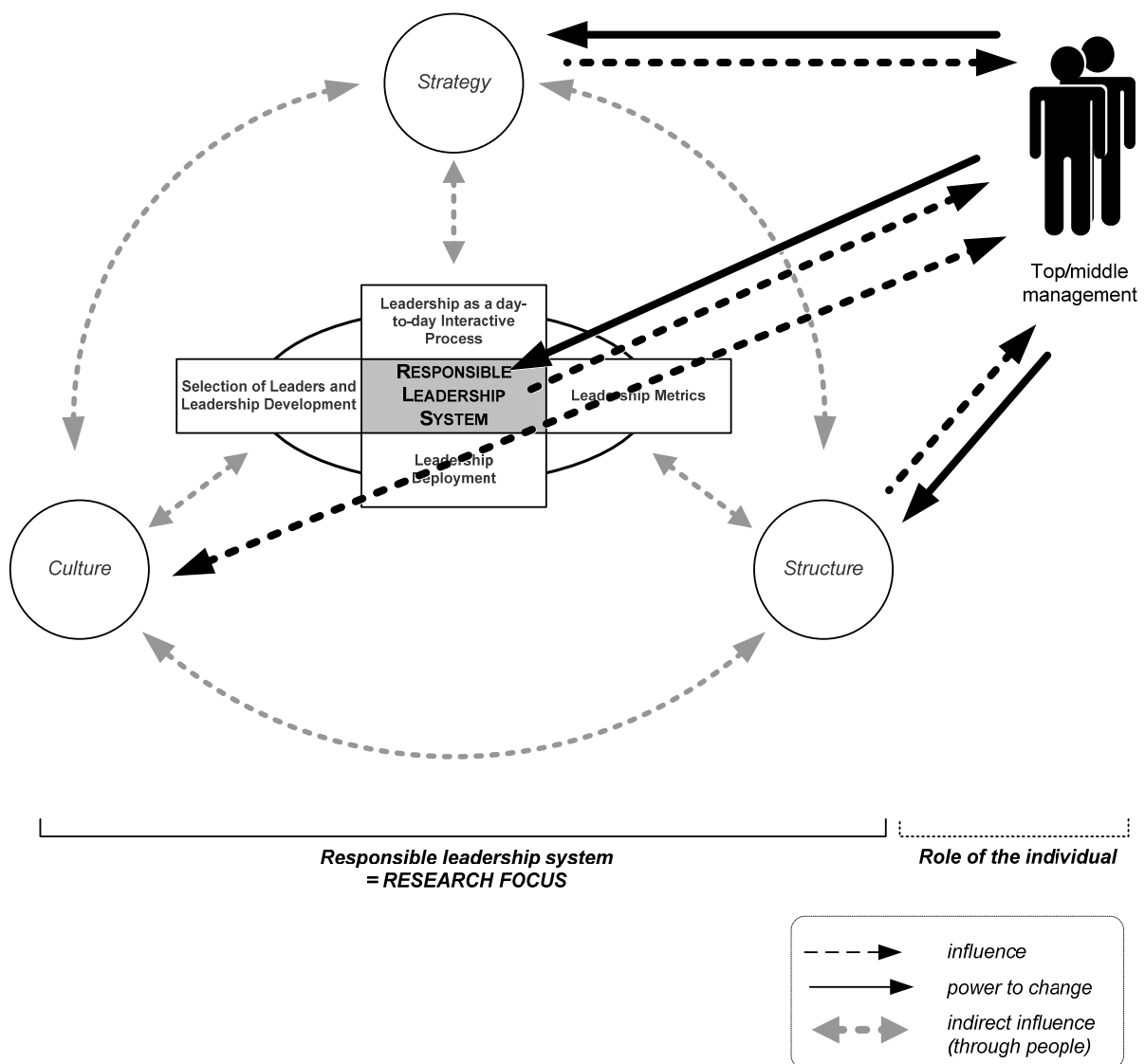


Figure 56 Systemic Relations Between Elements of the RLS Framework and Individual Leaders

Linkages Between Contextual Fields and Core Fields

On the one hand, the context influences the leadership system (Möslein, 2005: 165; Siebert, 2006: 289). Formal *strategies* as well as corporate *culture* guide HR policies and processes (Wilson, Lenssen & Hind, 2006: 31). *Organisational structures* like CR units are responsible for implementing instruments and tools to manage CR (Epstein, 2008a: 88f).

On the other hand, the core fields of the leadership system, including instruments like, for example, guidelines, business codes, policies, target systems influence the contextual fields of strategy, structure, and culture. For example, all these instruments aim at *cultural change* (Economist Intelligence Unit, 2007: 19; Müller & Siebenhüner, 2007: 236; Wade, 2006: 231; Wilson, Lenssen & Hind, 2006: 31, 34). Guidelines, evaluation systems, incentive and reward systems all change what is perceived as good and bad. Recruiting and selection mechanisms have direct impact on which people, with which values, become part of the organisation and its culture (Wirtenberg et al., 2007: 16), especially in code-oriented organisations (Victor & Cullen, 1988). Leadership development is also instrumental to build a values-based culture (Hunsdiek & Tams, 2006: 57).

Linkages Within Each Level

The fields of the RLS framework are interlinked within each group of fields. First, the field belonging to the group of contextual fields influence each other (von Rosenstiel & Comelli, 2003: 136). Researchers argue that *structure follows strategy* (Mintzberg, Ahlstrand & Lampel, 1998: 35; Steger, 2004: 51). Following this, integrating CR-related aspects into the organisation's strategy also leads to formal, organisational structures (and also instruments and tools). At the same time, however, *strategy follows structure*, especially when the institutionalised strategy is not adequate (Salzmann, 2006: 16). For example, pro-active CR units drive CR-oriented strategies through the organisation (Epstein, 2008a: 88f). Corporate culture is also related to the other contextual fields. The contextual fields of *strategy and structure both determine corporate culture* (Bieker, 2005: 96f). However, a certain culture may not support the CR-oriented strategies (SIGMA, [2003]: 34). Also, *structure is usually the result of corporate culture* at a given moment (Bieker, 2005: 97).

The core fields of the RLS are also interlinked. For example, instruments like guidelines, values, and codes are one important basis for measurement, incentives, and development systems. Ideally, the four core fields are interlinked in clockwise direction like a feedback process (Möslein, 2005: 154). Measurement systems are strongly linked to incentive and reward systems (Epstein, 2008a: 127; IBLF & SustainAbility, 2001: 27) as well as to leadership development (Huff & Möslein, 2004: 259f; Möslein, 2005: 201).

Linkages Between Overall Framework and Individual Leaders

Although it is not the focus of this work, it is important that, ultimately, leadership systems should give direction for and interact with individuals (Huff & Möslein, 2004: 249; Möslein, 2005: 152; Reichwald & Möslein, 2005: 19). In the sense of a "dialectic of control" (Neuberger, 2002: 531), influence exists in two directions: *Individual leaders are influenced by the elements of the RLS framework*. Regarding the *core fields*, an example is the way formal leadership development programmes influence perceptions and mindsets of leaders (Wilson, Lenssen & Hind, 2006: 37). An example of how the *contextual fields* influence

leaders is given by a CR-oriented culture, which directly impacts the way employees communicate with each other and how they make decisions (Brunner, 2006: 189; Eckelmann, 2006: 208; Tenbrunsel, Smith-Crowe & Umphress, 2003: 294).

Vice versa, individual *leaders change the elements within the RLS framework* (Logsdon & Yuthas, 1997: 1224). Concerning *core fields*, this is done explicitly by changing tools and instruments, for example, leaders are responsible for establishing incentive and compensation systems (Siebert, 2006: 239). Concerning *contextual fields*, the following is important: First, managerial values are decisive in the way *strategies* are selected and changed respectively (Mintzberg, Ahlstrand & Lampel, 1998: 26); closely related is the establishment or change of organisational *structures*. Second, leaders also change *corporate culture* (Yukl, 1989: 279), for example, by acting as role models (Bass, 1999: 16; Brown, Treviño & Harrison, 2005: 119; Jones, 1995: 418f).

Considering that the elements of the RLS framework are interlinked, Reichwald et al. (2005: 194f) argue that “excellent” leadership systems should be consistent across each core field, but should also be synchronised with the contextual fields (Figure 57).

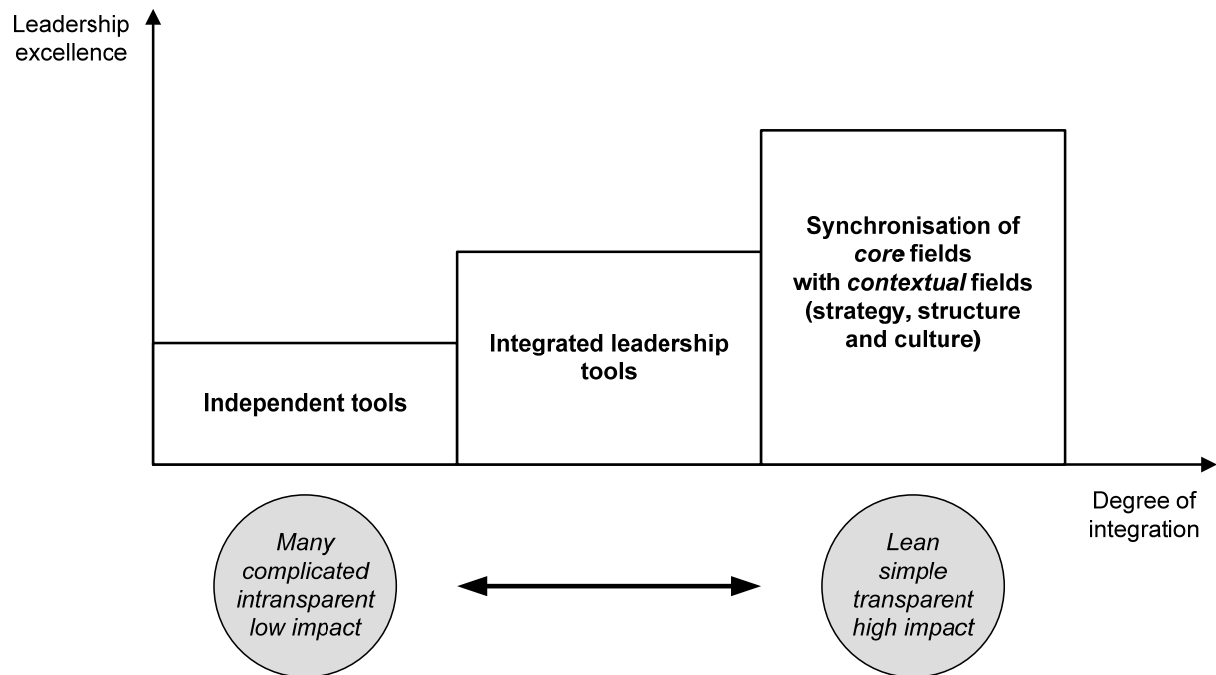


Figure 57 Leadership Staircase: Three Stages of Maturity of Leadership Systems

Source: Based on Reichwald et al. (2003: 34); Reichwald, Siebert & Möslein (2005: 194f)

Part III. RESPONSIBLE LEADERSHIP SYSTEMS IN MULTINATIONAL CORPORATIONS

This part is structured into three chapters: *Chapter twelve* describes the method. *Chapter thirteen* elaborates the descriptive results. *Chapter fourteen* discusses the results. The graphical representation of the structure of chapters is given in the following Figure 58.

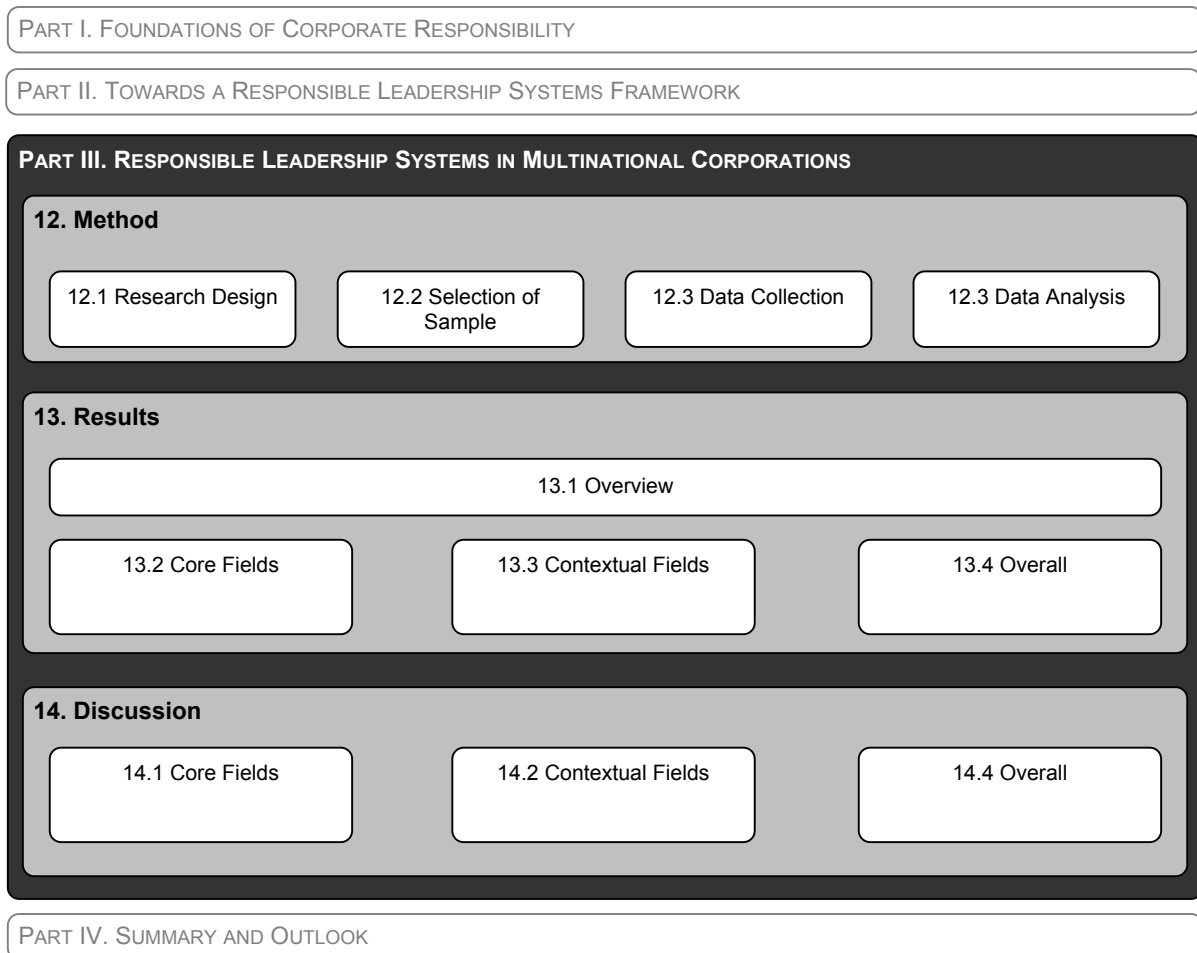


Figure 58 Structure of Part III

12 Method

This chapter describes the method applied in this research. It consists of four sections. First, I present the overall research design. Second, I describe the selection of the sample. The third section deals with data collection method. Finally, the last section describes how I analysed the data.

12.1 Research Design

As presented earlier (cf. chapter 8 in Part II), there are few holistic studies on leadership systems. In this “early phase of research”, Eisenhardt suggests to build theory based on case studies (1989: 548). The present study is, thus, based on the *case study research strategy* (ibid.; Yin, 1981, 1984/2003: 78f), a common strategy in social science research and a valid approach to CR assessments (Waddock & Graves, 1997: 304). Yin distinguishes *four types* of case studies based on the selection of single versus multi-case studies, and single unit versus embedded unit of analysis (2003: 40). In the present work, I analyse corporate leadership systems in different firms, which represents a multi-cases study design with a single unit of analysis (type 3).

Yin (2003: 1) further distinguishes exploratory, descriptive, and explanatory case studies. *Exploratory case studies* are used for less structured problems, where adequate theory is missing. This approach is comparable to grounded theory or experimental designs. In contrast to the former, *descriptive case studies* are rooted in prior theoretical knowledge. They focus on the narrative description of case (and cross-case) data. Beyond that, *explanatory case studies* derive “a conclusion based on the single explanation that appears most congruent with the facts” (Yin, 1981: 61), and may also try to explain causal relationships between events and objects studied. The present work bases on existing literature from CR and leadership research; with this theory-driven approach, the study is rather *abductive* (Alvesson & Sköldböck, 2000: 7; Dubois & Gadde, 2002: 559), in comparison to a fully inductive method. Thus, it goes beyond exploratory research. Further, it describes comparative results of different cases and ends with an explanation about the findings. The overall case study design is, hence, best framed by the term of *explanatory case study*.

The case study research design followed here is based on various indications by Yin, and can be structured into *six major research steps*. First, research questions are defined (Yin 1984/2003: 21). Second, literature is reviewed and, third, a “preliminary theory” is constructed (ibid.: 28).¹²¹ The fourth step addresses the discussion of the research design. Whilst this is not a formalised part of Yin’s research design, he still recommends to discuss the theoretical foundations with “colleagues and teachers” subsequent to the prior described steps (2003: 31). I expanded this step towards a more formal procedure represented by an expert study with academics and professionals. The fifth step covers the conduction of pilot cases (ibid.: 78–80) and finally, in the sixth step, the multi-case studies are conducted (ibid.: 83ff). These steps are not entirely linear: By iterative loops in the research process, the results of different steps of the study are continuously incorporated into preliminary theory (Dubois

¹²¹ Yin (2003: 28) stresses that even exploratory case studies are theory-guided to a certain extent.

& Gadde, 2002: 554; Eisenhardt, 1989: 541; Yin 1984/2003: 80). Thus, as mentioned earlier, I follow an *abductive* approach (Dubois & Gadde, 2002: 554). The research design is presented in the following Figure 59.

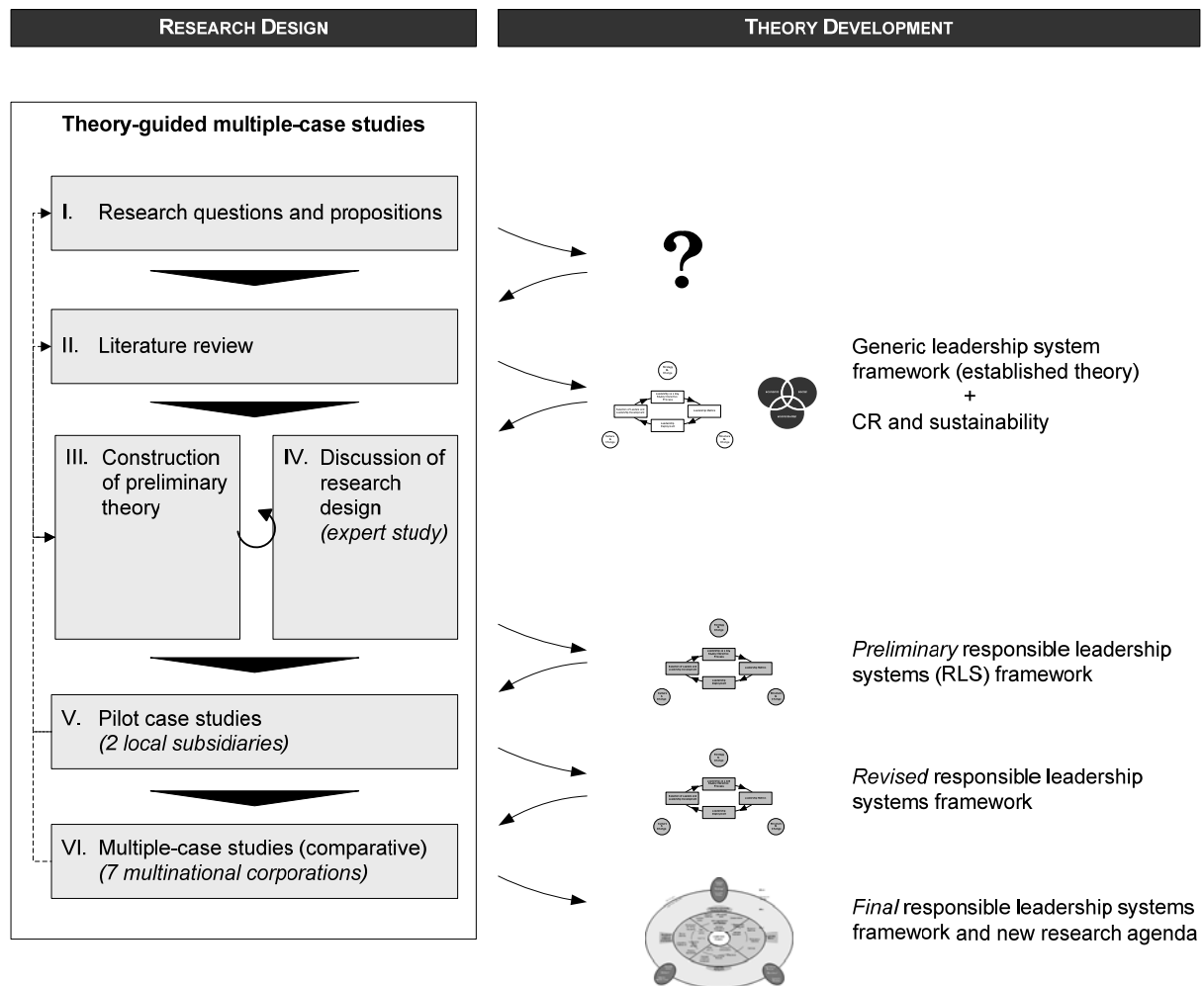


Figure 59 Research Design and Theory Development

Source: Based on Yin (2003)

While the first three steps of the research design were the focus of earlier parts of this work (research questions: Preface; literature review and preliminary theory: Part I and Part II), I am now concerned about the methodological aspects of the empirical work represented by steps IV to VI. In step IV, I conducted a number of both unstructured and semi-structured interviews. The role of these interviews was to explore the general linkages of leadership systems and CR. Senior researchers and professionals from areas as diverse as leadership development, organisational culture, and CR management, contributed to this understanding. According to the iterative research process, the results of this initial study were continuously incorporated into preliminary theory and are, hence, not discussed separately. The methodology of research steps V (pilot case studies) and VI (final, multiple-case studies) is the subject of the following three sections.

12.2 Selection of Sample

I conducted both pilot and final cases. For each case type, I describe the selection of the sample in a dedicated subsection.

12.2.1 Pilot Cases

The selection of samples is different for pilot cases and “final” cases. According to Yin, *pilot cases* can be chosen for reasons unrelated to the criteria for the selection of final cases. Reasons may be that a case is “unusually congenial or unreasonable accessible [...] geographical convenient or [the case] may have an unusual amount of documentation and data” (2003: 79). I conducted two pilot case studies (both at the end of 2007):

- I conducted the first case at a German subsidiary of the US-based firm W.L. Gore. I chose this case for two major reasons: Easy accessibility and geographic convenience. Further, in the sense of “a most complicated case” (Yin, 2003), I chose Gore due to the company’s reputation for having a culture-driven organisation that has a very particular understanding of leadership and organisation (Hamel & Breen, 2007).
- The second pilot case was chosen for the reason of accessibility and prior knowledge of the existence of large amounts of data. The organisation studied is a Thailand-based subsidiary of the German chemical and pharmaceutical company Merck KGaA. This organisation has a high reputation for CR and takes a leading role in Southeast Asia (Kaufmann, Ehr Gott & Reimann, 2008; Landau, Polomski & Schramm, 2005; Landau & Woisetschläger, 2009).

The characteristics of the two pilot cases are given in Table 34.

Firm	Location (subsidiary)	Industry	Employees (2007) [#]
Merck Ltd., Thailand	Bangkok, Thailand	Chemicals/pharmaceuticals	200
W. L. Gore & Associates GmbH	Munich, Germany	Diversified (textiles, healthcare, technology)	1.339

Table 32 Characteristics of Pilot Cases

Source: Firm internal data

Both pilot cases were important for the iterative refinement of the preliminary theory. Even more important, the pilot cases proofed the feasibility of the overall research design and further motivated the conduct of the comparative multi-case studies. However, as smaller subsidiaries, both cases are not directly comparable to the DAX firms and are, thus, not directly integrated in the *comparative* analysis represented by the benchmarking. Still, where it may reveal fruitful insights for the overall picture, I refer to qualitative findings from the pilot cases.

12.2.2 Final Cases

The final *multi-case sample* involved more systematic selection criteria. I focused on German firms from selected industries which are public listed, large-scale, and of which the majority maintains superior CR performance. I explain the rationale behind each of these criteria next.

Recent studies suggest a *country-specific* and *industry-specific* investigation of CR (Salzmann, Steger & Ionescu-Somers, 2008). I, thus, focused on a sample of multinational corporations *based in Germany*. Furthermore, I limited the sample to a *small number of industries*, namely the chemical and pharmaceutical industry, the automotive industry, and the technology/telecommunication industry. I chose these industries because they are all subject to public concerns related to negative external effects caused by products and technologies. This significant external pressure has been found to be a reason for these industries to advance CR quicker than other industries (Littlechild, 2003: 77). Whereas the limited number of cases in each industry does not suggest an industry-specific analysis, the limitation of industries should still spur the overall comparability of cases. Additionally, I focus on *large-scale multinational corporations* because of the following three reasons: First, large corporations have a wide range of activities and command more resources compared to smaller firms (Salzmann, Steger & Ionescu-Somers, 2008: 7f; Sharma & Pablo, 1999: 90). Second, the “iron law of responsibility” (Davis, 1973: 314) suggests that companies with more power also need to take over more responsibilities. Third, as the focus of this work is on formal systems, literature suggests that, compared to SMEs, large companies do generally have more of such explicit structures in place.

Furthermore, I limited the comparative cases to *public companies* listed in the German “DAX-30” index. This index covers Germany’s top 30 companies measured by market value. Focusing on public listed companies has the advantage that more public information is available, both by official documents and by the media. Furthermore, all companies from DAX-30 are screened regularly by rating agencies with respect to both financial and CR-related aspects. Following research by Hartmann, I use CR ranking results to identify *leading companies with respect to CR*. It is thus possible “to ensure comparison of best practices rather than average” (2007: 379). Salzmann also states that CR-related tools and instruments are merely found in lagging companies (2006: 189). As, the diversity of rankings results is large and, thus, a single ranking may not properly reflect CR performance, I calculated an average CR performance based on three rankings:

1. *Scoris*. This ranking represents a benchmark within German companies listed in the DAX-30 stock index.
2. *Good Company Ranking*. The Good Company ranking benchmarks European companies listed in the EURO-STOXX index.
3. *Dow Jones Sustainability Index*. This global ranking covers firms from the Dow Jones Index with superior CR performance.

Table 33 gives an overview of DAX-30 companies, their CR performance within the single rankings, and also the average performance I derived from own calculations.

Id	Companies (DAX-30)	Average	Selected CR rankings/indices			
	<i>(due 1.1.2008)</i>	Average score***	Dow Jones Sustainability Index (DJSI)		Scoris Ranking	Good Company Ranking
	<i>Data type:</i>	[% , normalised]	Class*	Sector leader**	[%]	[%]
	<i>Year:</i>	2007/2008	2007/2008		2007	2007
1	Henkel KGaA	94.3	Gold	yes	73.6	66.7
2	BMW AG	90.9	Gold	yes	72.7	63.4
3	BASF AG	85.5	Gold		68.7	69.4
4	Adidas AG	85.3	Gold	yes	67.7	61.9
5	Deutsche Telekom AG	85.1	Gold		77.6	59.1
6	Deutsche Lufthansa AG	79.6	Gold	yes	68	54.5
7	Volkswagen AG	75.3	Gold		71.1	54
8	Daimler AG	72.9	Gold		67.7	54.7
9	E.ON AG	71.2	Gold		64.2	56.4
10	Allianz AG	69.2	Gold	yes	65.9	43.7
11	RWE AG	65.5	Silver		67.1	54.5
12	Bayer AG	62.5	Bronze		64.2	62.3
13	Siemens AG	59.3	Bronze		69.2	52.8
14	Deutsche Post AG	55.5	Listed		67.5	58.2
15	SAP AG	48.9	Listed	yes	61.5	48.2
16	Deutsche Bank AG	48.2	Listed		65.6	51.1
17	Münchener Rück AG	47.9	Bronze		63.8	44.4
18	TUI AG	38.6	Listed		58.6	46.9
19	Linde AG	38.2	-		53.7	60.1
20	MAN AG	35.4	-		58.9	50.9
21	Metro AG	34.9	Listed		57.8	43.1
22	Commerzbank AG	31.8	-		54.3	51.4
23	Deutsche Postbank AG	31.4	-		63.5	not covered
24	Continental AG	26.3	-		58.2	40.2
25	Infineon AG	22.4	-		64.2	28.8
26	Merck KGaA	16.4	-		52.1	not covered
27	ThyssenKrupp AG	16.2	-		39.7	48
28	Deutsche Börse AG	12.7	Listed		41.4	33.4
29	Fresenius Medical Care AG & Co. KGaA	10.7	-		50.8	28.9

Table 33 CR Rating Results of German DAX Firms

Source: Based on own calculations and Kirchhoff (2007); SAM & PwC ([2008]) and Wilhelm (2007)

The selection of the final case studies (phase VI) is indicated through bold font in the table above (except for one anonymous company). In the remaining parts, I will refer to these seven firms simply as “DAX firms”. The selection shows that a large part of cases stems from companies in the top quarter. I chose the remaining companies from the middle and lower sections of the ranking in order to polarise findings and, hence, allow for better pattern recognition (Eisenhardt, & Graebner, 2007: 27). Also, the lower ranked cases serve as a control mechanism for the detection of whether responsible leadership systems do in fact matter for (CR) performance. The companies chosen from the top, average, and lagging fields were also subject to accessibility. The DAX firms cover the following firms: BMW AG, Henkel AG, Linde AG; Merck KGaA, Siemens AG, Telekom AG, and one anonymous company from the automotive industry (referred to as ‘Anonymous Inc.’ in the reminder of

this work)¹²². The average number of employees in these firms is above 170,000 with an average Earnings Before Interest and Tax (EBIT) of above three billion Euros. The basic characteristics of these firms are given in Table 34.

Name	Industry	Employees (2007) [#]		EBIT (2007) [EUR million]
		World	Germany	
Anonymous Inc.	Automobiles	anonymous	anonymous	anonymous
BMW AG	Automobiles	107,539	80,128	4,212
Deutsche Telekom AG	Telecommunication	242,703	153,822	5,286
Henkel AG	Chemicals ¹²³ / Consumer goods	53,107	10,090	1,344
Linde AG	Chemicals (Industrial Gases)	50,485	7,320	1,752
Merck KGaA	Chemicals/ Pharmaceuticals	28,877	9,090	200
Siemens AG	Industrial goods/ Diversified	398,200	126,100	5,001

Table 34 Characteristics of Participating DAX Firms

Source: Corporate annual reports

12.3 Data Collection

In order to improve accuracy, I analysed data from different sources (Yin 1984/2003). I used *documentary analysis* and *semi-structured interviews* as data collection methods.

12.3.1 Documentary Analysis

Prior to conduction of the interviews, I investigated each case by a documentary analysis. This involved documents *published* by the firm or by third parties (e.g., rating agencies, academia, media). As far as provided by interviewees, *confidential* documents were also analysed (Table 35).

Publisher	Document type
Corporation	<ul style="list-style-type: none"> - Annual reports - CR or sustainability reports - Website data - Business codes (as far as published) - Other confidential documents provided by the firm
Rating agencies	<ul style="list-style-type: none"> - CR and sustainability rankings
Other third party	<ul style="list-style-type: none"> - Academic publications (case studies, benchmarking studies) - Publications by the media (e.g. interviews, reports)

Table 35 Documents Considered for Content Analysis

¹²² The CR manager prohibited us to disclose the name of the organisation and the names of the interview partners who participated in the study after having studied the results.

¹²³ Following comparable research by Hesse (2007a: 13), Henkel AG is regarded to belong to the chemical industry, rather than the consumer goods industry.

I gave special account to empirical studies on CR, leadership, and related fields which specifically address the firms selected in the present study. Whilst these studies have already been part of the literature review, I present them categorised by firm in Table 36 below. These studies allowed for a basic (and historic) understanding of the firms' approaches towards CR and, thus, allowed for more focused investigation in the subsequent interviews.

Company	Academic research (case studies)	Company self-reporting
Anonymous Inc.	Five anonymous sources	One anonymous source
BMW AG	Bihl, Thanner & Wächter (1997); Hahn, Figge & Barkemeyer (2008); Reichwald et al. (2003); Schuler (2006)	-
Deutsche Telekom AG	Brugger (2008); Leitschuh-Fecht (2005); Lühmann (2003); Reichwald et al. (2003); VIS a VIS (2008)	Campino & Hoffmann, (2004)
Henkel AG	Denison & Schlue (2007); Münstermann (2007); VIS a VIS (2008)	Lehner (2006)
Linde AG	-	-
Merck KGaA	Eckelmann (2003, 2006); Gordon (2006)	Landau, Polomski & Schramm (2005); Landau & Woisetschläger (2009)
Siemens AG	Pinter (2006); Reichwald et al. (2003); VIS a VIS (2008); WEF & IBLF (2003)	-

Table 36 Academic and Practitioner's Publications Regarding DAX Firms

12.3.2 Semi-structured Interviews

Various researchers have argued that research in leadership became uninspired and has overemphasised quantitative research methods (Conger, 1998: 118; Gephart, 2004: 454; Yukl, 1989: 278). In particular, Conger states that quantitative methodology "fails to capture the great richness of leadership phenomena and instead leaves us with only sets of highly abstracted and generalised descriptors" (1998: 118). Further, compared to other phenomena, CR is particularly plagued by social desirability when it comes to self-reporting surveys (Fernandes & Randall, 1992). Last but not least, "qualitative methods have been greatly underutilized" (Conger, 1998: 118). Hence, based on the preliminary theory built within the early phases of research, I used a qualitative research approach using *semi-structured interviews* (Mayring 1990/2002: 67–72).

Extant literature in the area of CR suggests to address high-level corporate officers to get the most accurate information (Weaver, Treviño & Cochran, 1999: 46). The interviews were thus conducted almost entirely on the *executive level*. A mandatory interview was conducted with the CR or sustainability manager in each firm, as they are in a unique position to observe CR-related leadership (Treviño, Brown & Hartmann, 2003: 9). Subsequently, I applied the *snowball sampling technique* (Saunders, Lewis & Thornhill, 2003: 176) to get access to other persons at the core of the phenomena studied (Flick, 2004: 92). By this procedure, I additionally interviewed other functional managers (HR, HR development, corporate communication) and general managers.

Interviews of the expert study and pilot studies were conducted in 2007 and early 2008. The interviews for the multiple case studies (step VI) were conducted mostly in 2008 (very few follow-up interviews were conducted in early 2009). I used one major *interview guide* to

address top-level management and CR managers, while a more focused guide was devised to address managers from HR and other functions (see details in Appendix A.1).

The empirical field encompasses 34 interviewees; 20 belonging to DAX firms (in the average, about three interviewees per DAX firm). The large majority of the interviews involved only one interviewee. However, some also involved two interviewees simultaneously. 15 percent of the interviewees are members of the managing board or a comparable level, 38 percent are CR managers, and 26 percent are managers from other functions. 21 percent of the interviews belong to non-executive levels (Table 37).

Management level	Research phase			Overall
	Expert study (IV)	Pilot case studies (V)	Comparative multi-case studies (VI)	
Member of the managing board/ managing director		1	4	5 (15%)
CR manager		2	11	13 (38%)
Manager from other functions	4	2	3	9 (26%)
Others	3	2	2	7 (21%)
Total	7	7	20	34 (100%)

Table 37 Interviewees According to Research Phase and Management Level

Regarding interview length, the average interview time per person is 1:13h.¹²⁴ The average interview time in the initial expert study is slightly higher than during subsequent case studies (Table 38).

Data type	Research phase			Overall
	Expert study (IV)	Pilot case studies (V)	Comparative multi-case studies (VI)	
# Interviewees	7	7	20	34
Time [h]	9:38	7:30	24:35	41:43
Ø Time [h]	1:22	1:40	1:13	1:13

Table 38 Length of Conducted Interviews According to Research Phase

12.4 Data Analysis

12.4.1 Qualitative Data Analysis

I recorded all interviews either by a digital voice recorder or by hand-written notes. Whereas voice recording is the preferred mode for interviews (Mayring 1990/2002: 70), it is not always appropriate. I also recognised that some of the interviewees, despite their assent, remained

¹²⁴ If an interview involved two interviewees, I calculated the time per interviewee as half of the overall interview time. This followed the understanding that only one person can contribute to the interview at a certain moment of time.

intimidated by the continuous voice recording. Some of the interviewees also raised concerns about voice recording. This was especially true in the pilot case in the firm based in Thailand, where the regional culture seems to be more timid than in Western countries. Accordingly, the best recording solution was chosen by the interviewer at the beginning of each session. Subsequent to the interviews, I either transcribed¹²⁵ the interview or, based on the interview notes, created a detailed protocol. In either way, the resulting document was sent to the interviewee for confirmation.

I used the software “MaxQDA” for a computer-based qualitative data analysis (Mayring, 2007). The iterative or abductive nature of the research process results in both inductive and deductive categories (Dubois & Gadde, 2002: 556). On the one hand, the categories were derived from the preliminary framework in *deductive* nature. However, as findings in data initiated iterative loops in order to update the preliminary framework, one part of the categories is rather *inductive* in nature.

12.4.2 Data Evaluation and Scoring

Qualitative data analysis can also be enriched with quantitative steps of analysis (Mayring, 2007: 45; Srnka & Koeszegi, 2007). In order to get feasible comparative results of the cases, I, hence, used a scoring system for evaluating the extent of the responsible leadership systems. This scoring system is comparable to a five-point Likert scale ranging from “no integration” (0) to “strong integration” (4). The following Table 39 presents a generic mapping between CR integration and scoring result.

Score	Label	Description	Exemplary vision statement
0	No integration	The leadership instrument does not integrate any CR-aspects	“By delivering excellent products to our customers, we will be the most successful company in the world.”
1	Implicit integration	There is <i>anecdotal evidence</i> for that CR may be integrated, but clear statements are absent.	“By delivering excellent products to our customers, we will be the most successful company in the world, measured by sustainable business results.”
2	Weak integration	There is <i>clear evidence</i> that a <i>small number</i> of CR aspects are integrated in the leadership instrument	“By delivering excellent products to our customers, we will be the most successful company in the world. Thereby we are aware of our responsibilities in regard to our stakeholders. ”
3	Standard integration	A broad number of CR-aspects is incorporated in the leadership instrument	“By delivering excellent products to our customers, we will be the most successful company in the world. Thereby we are dedicated to develop our employees, protect the environment, and engage in the communities in which we operate. ”
4	Strong integration	CR in its entirety is incorporated into, or even the base of, the leadership instrument	“By delivering excellent products to our customers, we will be the most <i>sustainable</i> company in the world. Thereby, we root our understanding of business in sustainability and aim at superior performance in financial, social, and environmental dimensions in order to meet our role in sustainable development. ”

Table 39 Scoring System as Applied in the Present Study

¹²⁵ This process was supported by the transcription software “F4”.

As the scoring criteria are qualitative in nature, judgement is necessary (Waddock & Graves, 1997: 307f). For increased scoring validity, all cases and related material were scored by the same research team applying the same set of criteria (ibid.: 307). In this regard, the qualitative case methodology is superior to survey-based practices because the survey techniques do not allow for consistency of raters (i.e., the firm representatives filling out the survey) across firms (ibid.: 304). Still, it is important to mention that scoring models used for benchmarking cannot entirely prevent subjectivity:

“As it is very difficult (and maybe impossible) to be not subjective in the realization of a benchmark score, the score should be presented to the public with care. People should be warned for the fact that there are many subjective elements in the score and that the researchers have already made a lot of choices for them.” (Graafland, Eijffinger & Smid, 2004: 141)

The scores of the individual instruments are summed up to a subscore in each instrument field (the four core fields and the two contextual fields). Thereby, independent from the actual number of instruments regarded, each field received the same weight for calculating the overall score. With the total of six fields, each field weighs about 16.67 percent (Figure 60).

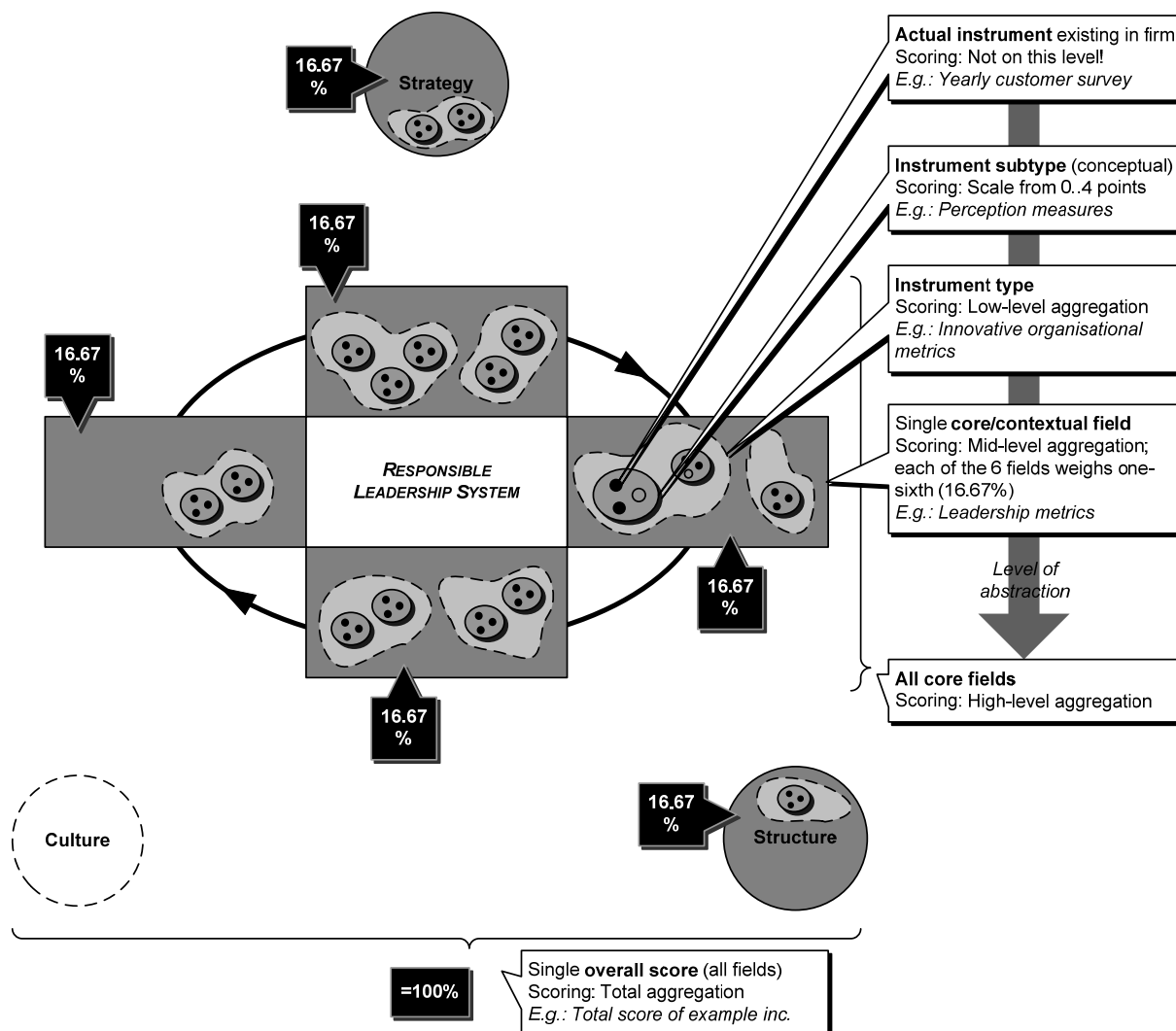


Figure 60 Scoring Model for the RLS Framework

As demonstrated in the above figure, the scoring is done as follows: Scoring begins on the level of instrument *subtypes*. Subtypes represent a conceptual entity aggregating various *specific* instruments *actually existing* in the organisation which are comparable in nature. At the next level, instrument subtypes are aggregated to instrument *types*. All subtypes belonging to a specific type have the same weight (whilst the average number of instrument *subtypes* constituting a *type* is three, the *actual* number of subtypes constituting a *type* varies between one and six). One level further, all instrument types belonging to a specific field of the framework (core or contextual) are aggregated to the field score. Again, all *types* belonging to a specific *field* have the same weight, however, there are differences across fields (each core field has three or four instruments types, whilst contextual fields only constitute of one type). On the highest level of abstraction, field scores are aggregated to the overall RLS score. As mentioned above, the overall value is calculated using a weight of 16.67 percent for each field. The leadership systems research (e.g., Reichwald, Siebert & Möslein, 2005) argues that not necessarily the quantity of leadership instruments is relevant, but merely the broad *coverage* of all instrument fields and their *consistent interconnection*. In order to address *coverage*, I used the same weights for each field of the framework. This emphasises that all elements should be subject to the same level of CR integration; it prevents that a firm receives high overall scoring results solely by exceptional high scores in one of the fields.

Concerning *interrelations*, I only analysed relationships between *entire fields* of the RLS framework, which also occurred after the scoring; I did not analyse *interrelations* on the *level of instruments* (e.g., in how far specific metrics translate to compensation systems). The scoring is, thus, largely based on *quantity* of instruments. Still, I think that, at the current point of time, this is reasonable: First, we are at the very beginning of an infusion of CR into leadership systems. In this early stage of responsible leadership, I argue that all advances concerning the integration of CR into leadership instruments should be acknowledged. Second, the recentness of thinking about leadership from a CR perspective naturally leads to a great diversity of experiments and pilot solutions of responsible leadership systems *across* firms, on the one hand, and across the various fields of a RLS *within* a single firm, on the other. In this stage, an entirely consistent interconnection throughout the entire leadership system is not yet probable.

13 Results

This chapter has four sections: In the first section, I give an aggregated overview of the empirical results. The second section presents the detailed findings in the *core fields* of the RLS framework. The third section presents findings in the *contextual fields*. Finally, the fourth section shows results on the level of the *overall RLS framework*.

13.1 Overview of Results

According to Yin (1984/2003: 146–149), reports on multi-case studies consist of multiple case narratives, of a *cross-case analysis*, or of a combination of both. In the present work, I focus on cross-case analysis; an exemplary single case narrative is described elsewhere (Hansen, 2008). This also comes closest to corporate benchmarking (Camp 1989/2006), a comparison of organisational performance with competitors in order to highlight and adopt best industry practices (Ettorre, 1993: 12; Logsdon & Yuthas, 1997: 1221; Tucker, Zivan & Camp, 1987: 8).

The overview of the results from the multi-case studies is depicted in the following Table 40 (and in Figure 61 on p.164). The firm names remain anonymous but are labelled with “case codes” using the letters A–G. Thereby, letter “A” represents the firm with the highest *total* score and letter “G” the one with the lowest total score. I will use this labelling throughout the rest of this work in order to allow for case tracking. When I add information from public available sources (e.g., CR reports), I will make reference to the original source and omit the case code because, otherwise, it would allow for code retrieval. Also, the citations of interview statements remain entirely anonymous for these aspects because the link to a company could — depending on the number of interviewees — easily reveal the interviewed person.

Field	Code	Results (%)							
		A	B	C	D	E	F	G	Ø
Interactive process	L1	44	49	26	55	48	28	33	40
Metrics	L2	53	39	16	36	13	16	9	26
Deployment	L3	50	50	67	8	40	31	10	37
Selection & development	L4	18	18	18	11	7	5	0	11
Strategy	C1	25	40	70	65	45	35	45	46
Structure	C2	71	48	46	36	32	36	14	41
Subtotal core fields (Ø)	(L1-L4)	41	39	31	27	27	20	13	28
Subtotal contextual fields (Ø)	(C1-C2)	48	44	58	50	39	35	30	43
Total (Ø)		43.6	40.6	40.4	35.1	30.7	25.1	18.6	33.5

Table 40 Scoring Results According to the Responsible Leadership Systems Framework

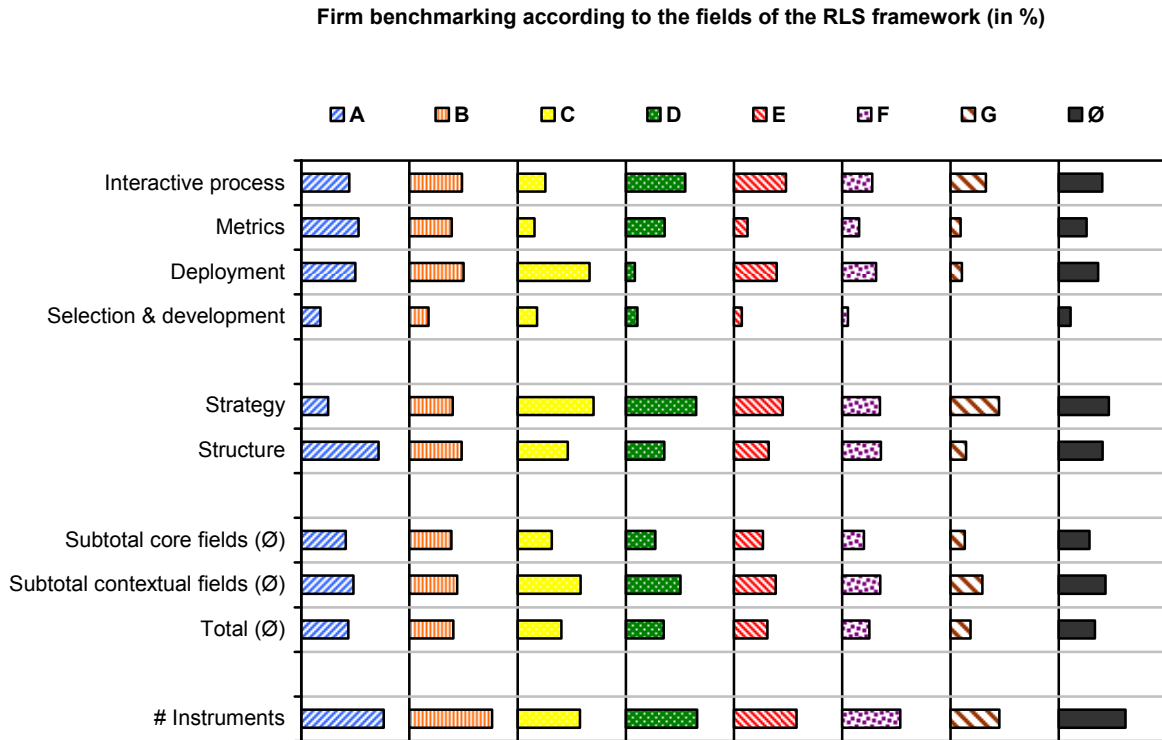


Figure 61 Graphical Representation of Overall Scoring Results (High Level of Aggregation)

A more detailed overview of the multi-case study results is depicted in the following Figure 62. This figure shows the evaluation of the extent of CR integration in the contextual fields strategy and structure,¹²⁶ as well as in the instruments of the core fields of the leadership system. This overview remains on an aggregated level and presents “types of instruments” only. The details of the instruments will then be presented within the sections and subsections of this chapter.

¹²⁶ Please note that I omitted scoring of the contextual field “culture”, which is for reasons explained in subsection 2.2.3.

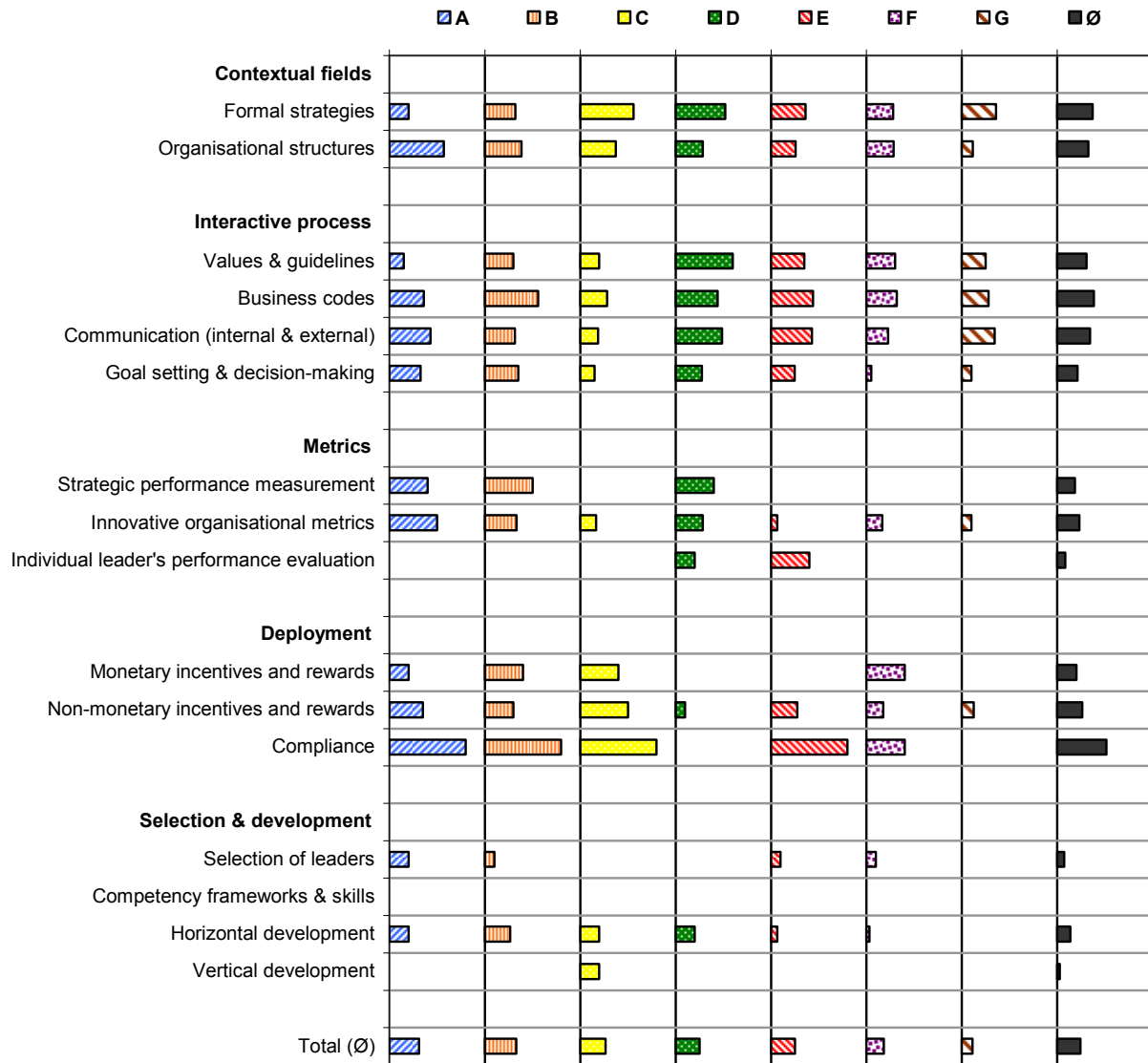


Figure 62 Comparison of Responsible Leadership Systems in Seven Firms (Medium Level of Aggregation)

13.2 Core Fields of Responsible Leadership Systems

13.2.1 Leadership as a Day-to-Day Interactive Process

The highest number of analysed instruments belong to the field of interactive process. At the same time, this is the field of instruments where firms most strongly integrate CR. An overview of the results is given in the subsequent Figure 63.

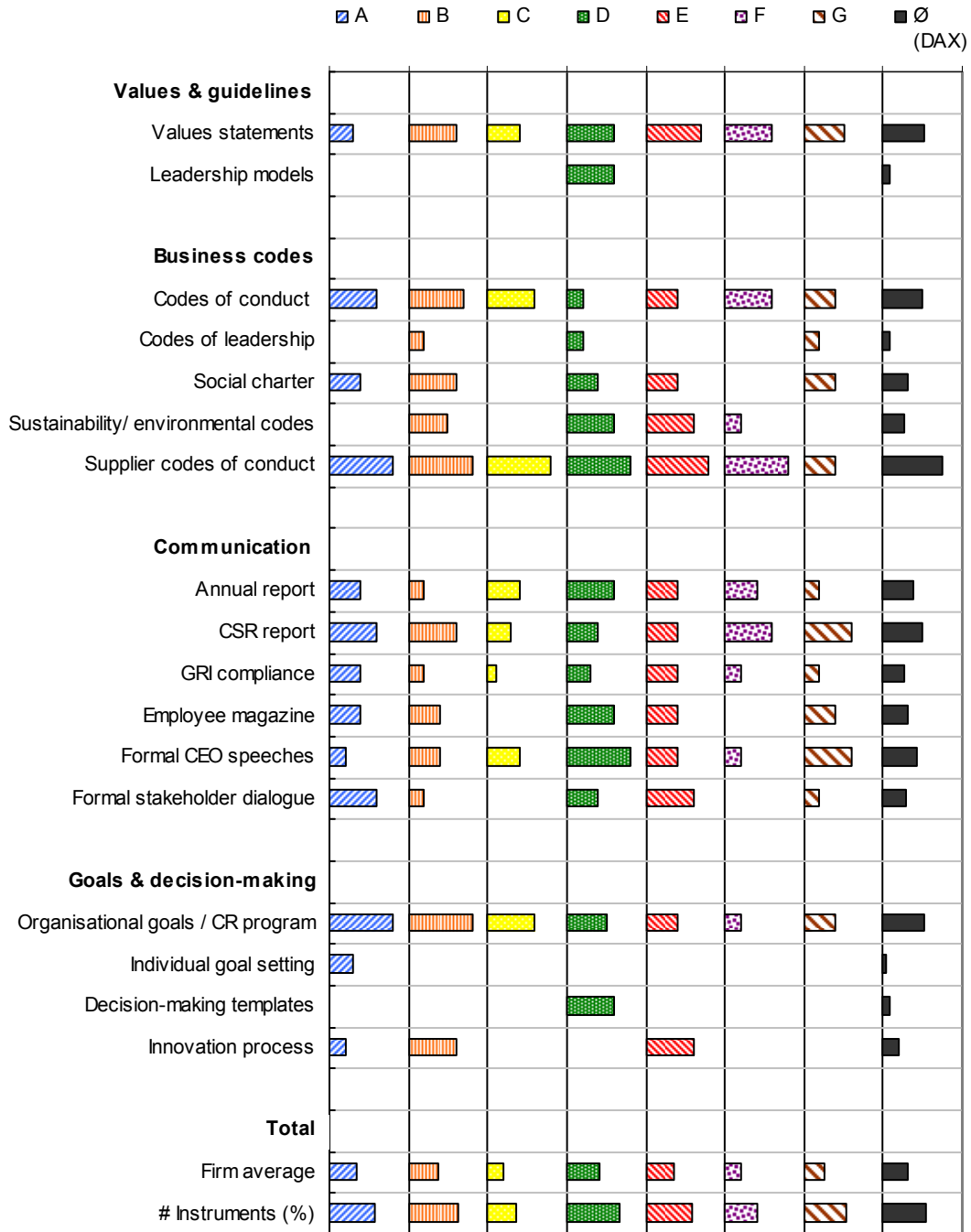


Figure 63 Leadership as a Day-to-Day Interactive Process and CR (Low Level of Aggregation)

The subtypes of instruments recognised in the present field are values and general guidelines; business codes; communication; and goal setting and decision making. The following paragraphs will elaborate these more in detail.

13.2.1.1 Values and General Guidelines

CR has penetrated all *values statements* in explicit form, with slight differences in clearness. One major issue with values statements is clarity of definition, especially concerning

ambiguous terms like “responsibility” or “sustainability”. For example, firms should define whether sustainability is related to a narrow understanding of long-term (financial) success, or more widely to the triple-bottom line (Elkington, 1998). More than half of the firms (A, B, D, F, G) clearly describe their understanding on values such as “responsibility” or “sustainability”. This is done by linking sustainability directly with CR, by giving brief definitions on each value, or by extended versions of the values statements (Table 41).

Public values statements (brief value definitions included if available)	Source
Values (beside others): Respect, responsibility , and sustainability	Anonymous Inc.
Values: 1) We are customer driven. 2) We develop superior brands and technologies. 3) We aspire to excellence in quality. 4) We strive for innovation. 5) We embrace change. 6) We are successful because of our people. 7) We are committed to shareholder value. 8) We are dedicated to sustainability and corporate social responsibility . 9) We communicate openly and actively. 10) We preserve the tradition of an open family company.	Henkel (2008: 11)
Values: Passion to excel, Innovating for customers, Empowering people, Diversity; Principles: Safety, Integrity, Sustainability , Respect	Linde ([2007]: 14f)
Values: 1) Achievement, 2) Responsibility (=against employees, partners, customers, investors, natural resources), 3) Respect, 4) Integrity, and 5) Transparency	Merck KGaA (2008)
Values: 1) Responsible (=committed to ethical and responsible action); 2) Innovative; 3) Excellence	Siemens (2008: 11)
Values: 1) Superior value (=Value Enhancement and Profitability; Sustainability ; Protection of Corporate Assets) 2) Passion for customers 3) Innovation 4) Respect 5) Integrity 6) Top Excellence	Deutsche Telekom (n.d.: 10f)

Table 41 Public Corporate Values Statements and CR Linkages

Some firms base their understanding of leadership on *leadership models*. Such models may be a fusion of codes, values, and competency requirements, and are used as a basis for evaluation of leaders and the definition of consequences and development needs. Thus, although I present this instrument in this paragraph, such leadership models can also impact the other three fields of instruments (metrics; deployment; and selection and development). The empirical data revealed that company D very recently infused this type of model with CR-oriented values¹²⁷. This model consists of the elements depicted in Figure 64. The “basic principles” serve as the foundation of the remaining elements. They consist of twelve principles of which three are explicitly addressing CR, namely responsibility, sustainability, and society.

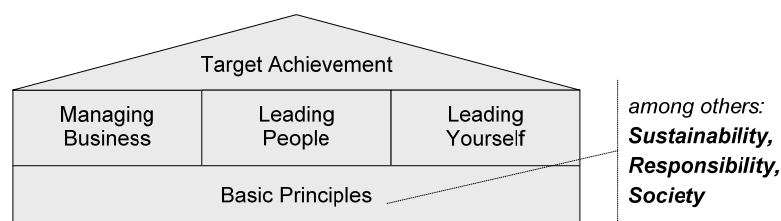


Figure 64 Leadership Model with CR Components of Exemplary Firm¹²⁸

¹²⁷ BDJ2: 50.

¹²⁸ BDJ2: 50.

13.2.1.2 Business Codes

Business codes represent a very important category of instruments within the field of interactive process. In contrast to general guidelines addressed above, codes are closer to legal documents. Business codes, more detailed than value statements and related instruments, describe the aim of the company regarding economic, social, and environmental aspects and can also map these aims to expected individual behaviour. Moreover, in combination with compliance mechanism, such codes can act as legal documents.

All analysed firms use *code of conducts* to address their employees. The integration of CR into these codes differs with respect to the addressed dimensions. Codes of conduct address, first of all, *conduct with colleagues* and other employees. This includes issues like discrimination, equal opportunity, respect, and relations with business partners. Often, firms also give guidance on how to engage in *community involvement*. Company B even motivates employee community involvement in a rather proactive manner. Then, some more advanced companies (B, C) already address *safety, health, and environmental issues* within that code. Finally, two of the firms (A, F) *explicitly include CR* or sustainability within the code of conduct (still, company A stated that the code was under revision and would have a greater behavioural orientation in future, hence, rather than addressing CR explicitly, the behavioural value “integrity” would remain¹²⁹). Whilst the code of conduct contains a set of rules for all employees (regardless of hierarchy), two companies (B, G) use dedicated *codes of leadership* to define rules which are valid especially for executives (and other employees in responsibility of leading people). However, whilst they generally stress a distinguished responsibility of leaders, they do not specifically refer to CR.¹³⁰ Closest to CR comes the demand for “integrity” and “trustworthiness”. Company C declines codes of leadership for being only a technical document unimportant for the members of the organisation.¹³¹

Many companies developed a *social charter*. Social charters define standards across the entire global organisations (including subsidiaries worldwide). Though it remains mostly on a voluntary level, business partners are also “motivated” to apply these standards. Social charters are based on international standards like the UN Global Compact (all companies of the DAX sample are signatories) or the ones of the International Labour Organisation (ILO), including rules of working conditions as well as health and safety. In the sample, four companies (A, B, E, G) developed *firm-specific* social charters and one (D) simply ratified the international codes. It is notable that company B expanded the scope to also cover environmental impacts. Some of the firms (B, D, E) also established dedicated *sustainability and environmental codes* addressing health, safety, and the environment more in-depth. Company B even links individual conduct to sustainability more explicitly in the form of a “code of sustainability”.

In case that the social charter or related codes do not include business partners, companies additionally established *suppliers code of conduct*. Mostly, these codes include a *subset* of firm-internal rules and it is often focused on social issues. Still, concerning suppliers, all these

¹²⁹ BDI1: 32.

¹³⁰ BDF1: 84, 148; BDJ2: 36.

¹³¹ BDE1: 64

approaches are mostly limited in its effectiveness because they are rather claims and suggestions for the suppliers. Recent activities by firms aim at further developing these approaches into more strict and binding rules, which are integrated into *procurement guidelines*, also called “sustainable procurement strategy”, “ethical procurement principles”, or “global purchasing standards”. These guidelines become part of supplier contracts or, more generally, part of the general business terms and conditions. All firms already took such guidelines into effect. Along with integration into procurement guidelines, monitoring mechanisms become also important, which will be presented as part of leadership metrics (cf. section 13.2.2.1).

13.2.1.3 Communication

Companies make use of a large set of existing communication channels and, additionally, use CR-specific channels. The primary channel for reporting on the firm’s progress in CR is the *CR or sustainability report*, which all analysed companies publish either annually or bi-annually (D, E). It is not the scope of this work to analyse the quality of these reports in-depth, as this is already done by other studies (e.g., IÖW & future e.V., 2007). Here, I rather evaluate the report with respect to its regularity of publication and compliance with established reporting standards like the Global Reporting Initiative. In this regard results are rather comparable, however, only three companies (A, D, E) clearly state that their GRI compliance-level was *externally* verified.

Data also reflects that it is standard to address CR aspects in *annual reports*. There, the diversity of approaches is higher. One of the companies (D) gives a detailed report about CR aspects regarding its products and production systems as part of its “review of operations”. It additionally positions sustainability at the core of its business strategy, which is also part of the annual report. Most companies, however, limit CR aspects in the annual report to few pages in a separate chapter. Two of the companies (B, G) refer to CR only in a very limited, superficial way.

Another instrument of communication are formal *top-management speeches*.¹³² I analysed the disclosed transcripts of CEO speeches at annual meetings in the years 2007 and 2008 with respect to content related to CR or, better, CR-issues.¹³³ This accounts for two speeches per firm. The following chart (Figure 65) gives an overview of the results.

¹³² BDX1: 44; BDJ2: 59.BDR1: 21.

¹³³ The “share” of CR was calculated by dividing the word count of paragraphs dealing with CR-related issues by the word count of other paragraphs.

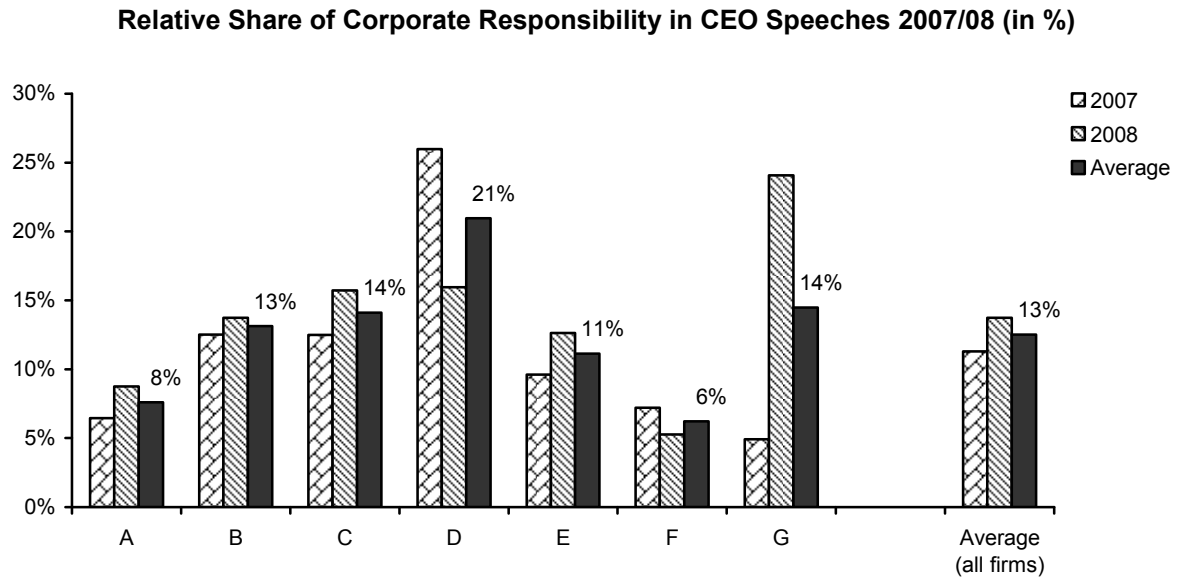


Figure 65 CEO Speeches at Annual Meetings and Relative Share of CR

Whilst the above instruments are directed to all external and internal groups, *employee magazines* are used to directly inform employees on CR.¹³⁴ Interviewees consistently state that they do not use an explicit CR column, but rather integrate the different issues within traditional sections, such as HR or operations management. They also regard a separated treatment of CR issues in dedicated CR sections, and along with this a kind of overstretching of the topic, as a thread for the entire CR movement.¹³⁵ One firm representative regards internal communication as rather unimportant, compared to the involvement of individual executives.¹³⁶

The communication channels presented above are unidirectional in nature. Bi-directional communication is achieved through *stakeholder dialogues*. Generally, I registered great uncertainty in respect to what is exactly covered by the term “stakeholder dialogue”. The statements collected in the following Table 42, thus, give a first indication about this diversity.

¹³⁴ BDR1: 19, 21; BDC1: 32.

¹³⁵ BDX1: 68; BDD1: 35; BDF1: 62.

¹³⁶ BDE1: 95.

Stakeholder Dialogues

“Due to our main plant, which is directly located in the heart of the city, our company had to act with care and consideration in regard to the business development from the very first day.” (BDA1: 48, DAX)

“A rather classic instrument applied since the 1990ies, is the open dialogue with neighbours. This addresses the development of our main site at the headquarter [name of city omitted]. Core issues are the extension of production areas [within the city] and the related conflicts with civil use. This dialogue includes public authorities, neighbours, and the company itself and is organised with a moderator.” (BDF1: 59, DAX)

“It depends on the topic. We constantly talk with a great diversity of people. We address topics and talk with internal and external people concerned. But it is not in the way that we go hunting and leave the prey in front of the rooms of the people who work on these issues. For example, we conducted this year a large stakeholder dialogue in the area of supply chain, where we invited NGOs, investors, suppliers, etc. We also have a yearly CR day under a particular theme. However, this is not an open event! You cannot conduct a stakeholder dialogue in opening a large hall and say: ‘Everybody who wants to talk to us please come in!’ This doesn’t work. [...] We have so many stakeholders — you have to plan this in an issue-specific manner.” (BDC1: 36, DAX)

“We don’t have a stakeholder dialogue addressing CR in its entirety. In a less formal way, we conduct dialogues on particular topics, such as regarding the environment. But these are punctual talks and are not covered by the CR label. However, I ask myself, what is thereby [the general stakeholder dialogue] the focus and what should be the result thereof? That we are generally responsible? That seems to me too vague. Our company is engaging in dialogues on specific topics which are also site-specific.” (BDF1: 60, DAX)

Table 42 Statements about the Nature of Stakeholder Dialogues (Translated)

All but one company (F) actively engage in stakeholder dialogues in semi-formal or formal ways. Thereby, two entirely different approaches exist, sometimes also in coincidence. On the one hand, these are stakeholder dialogues which address CR rather generically. Company A organises a yearly “Corporate Responsibility Day” in which a large number of participants come together to discuss a rather broad agenda like, for example, “business and business ethics”.¹³⁷ More frequently, on the other hand, dialogues address specific CR issues like CO₂ combat; renewable raw materials; supply chain sustainability and sustainability procurement; or sustainable mobility.¹³⁸ Two of the manufacturing companies (D, G) state that *dialogues with neighbourhoods* have been existing for long time, even before CR became the prevailing term. These neighbourhood dialogues are necessary when the firms’ (production) sites are located within urban areas, especially in large cities. Such dialogues are conducted when extensions of production areas need to meet the agreement of neighbouring communities and other concerned parties.¹³⁹ Company E also initiates dialogues on issues which go beyond the interest of the single firm, like a dialogue on the link of infrastructure projects and species protection.¹⁴⁰

The above examples demonstrate that dialogues usually have a clear focus on specific themes. Also, the target audience is usually selected and invited by the firm. Thus, dialogues are often less public than the term may suggest. Some of the companies (D, F) also regard *stakeholder or image surveys* as part of the stakeholder dialogue. The framework applied in this work, however, regards the latter as perception measures and, thus, deals with it in subsection 13.2.2.

¹³⁷ BDK2: 88; BDC1: 36.

¹³⁸ BDC1: 69; BDF1: 60.

¹³⁹ BDX1: 48; BDF1: 59.

¹⁴⁰ BDD1: 42.

13.2.1.4 Goal Setting and Decision Making

Goal setting processes for CR involve the organisational and individual level, which are interlinked. Regarding organisational goals, all analysed companies publish their CR goals, often referred to as *CR roadmap or CR program*, in the CR report. The defined goals vary, amongst others, concerning goal type, ambition level, level of detail, and time horizon. Goals are mostly structured using the categories economy, environment, social, and society. It is not unusual that a category includes more than ten targets. Hence, the overall CR roadmap can easily include more than 30 targets. It is beyond the scope of this work to make an in-depth content analysis of these organisational goals systems, (still, as argued in the section on future research, it could be a promising area of analysis). Concerning the nature of organisational CR goals, the empirical findings suggest that published goals can be both a communication tool¹⁴¹ and an internal control mechanism¹⁴². The rather defensive companies (G) do only publish “safe” goals, these are goals which are (or were) definitely accomplished.¹⁴³ One representative even stated that the roadmap actually reflects the “status quo” within the diverse corporate units.¹⁴⁴ The overall impression from the interviews is that the communication aspect of goals is greater than the aspect of planning.

The analysis with regard to *individual goals* turned out to be difficult (see selected statements in Table 43). Still, I found that a strong connection between organisational and individual goals seem to exist, which is related to the *process of defining organisational goals*. In fact, the definition of organisational goals is a negotiation process between the CR unit and other corporate functions or business units necessary for, or affected by the achievement of these goals. Thus, it is a rather cooperative process.¹⁴⁵ At the same time, in order to achieve setting of ambitious targets, a key role of the members of the CR function in this bargaining process is persuasiveness.¹⁴⁶ Once negotiated, it could be argued that the organisational goals are also borne by the involved individuals and their departments or teams. Hence, through this process, a high likelihood exists that *organisational goals* are, to some extent, also *individual goals*.

Besides this rather direct connection of the organisational and individual CR goals through a process of goal bargaining and cascading, *individual goal setting* remains largely distinct from CR. Few formalised processes are in place. One firm uses goal setting based on three dimensions: Organisational goals, individual goals, and a discretionary part. The discretionary part is defined ex-post and describes how targets are achieved; according to the interviewee, this also refers to values like integrity (Figure 66).¹⁴⁷

¹⁴¹ BDG1: 58; SAD1: 98, 119.

¹⁴² BDD1: 47; BDX1: 23.

¹⁴³ BDF1: 70.

¹⁴⁴ BDG1: 59.

¹⁴⁵ BDG1: 59; BDX1: 23; BDC1: 40, 67.

¹⁴⁶ BDC1: 67.

¹⁴⁷ BDI1: 52.

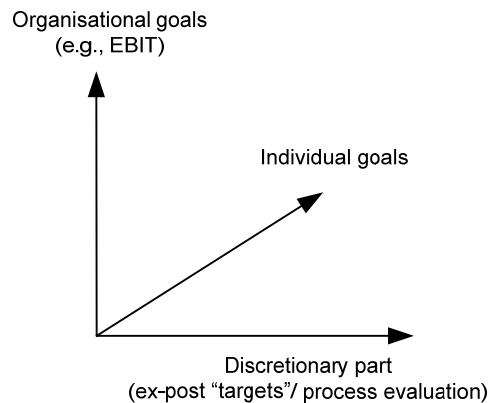


Figure 66 Goal Setting (Company A)

Two of the firms (A, D) stated that a *BSC* or a *comparable systems* has been used for individual goal setting; thereof, which one company, however, also revealed that this process was not always applied in practice (cf. 13.2.2.2).¹⁴⁸ An exception is demonstrated by one of the pilot case studies in which the managing director directly appoints top-level managers with goals from the domain of CR.

Individual Goals

“Not all [organisational] goals were cascaded into personal targets, as of various reasons. The ones cascaded get integrated into the established target systems, as for example the BSC.” (BDC1: 44, DAX)

“The problem is: What is sustainability? If you say: “Define a sustainability goal for the board member responsible for business unit X” – what may this be? I want to show you how difficult it is and that it is not done with the word ‘sustainability’.” (BDC1: 82, DAX)

“We follow three categories of goals: Group, division, and personal targets. We try to limit the goals to three per person. You can imagine that sustainability goals won’t make it to the third position. It is hardly understood that sustainability cannot be part of everybody’s goals and that this is not a deadly sin.” (BDC1: 46-48, DAX)

“We want to reduce the number of goals per employee. We use three categories of goals: First, organisational goals like EBITDA and customer satisfaction; second, individual goals; and the third category we call “discretionary part”. For the latter there is no ex-ante definition of goals. It is about an ex-post evaluation of how goals were reached. This, of course, also includes values like integrity and also compliance.” (BD11:51, DAX)

“In the business units, for example, I define that CR activities [e.g. employee and customer volunteering events] have to be conducted. This goal is given to the business unit manager who then cascades these down to product managers and sales reps.” (Managing Director, BPB1: 104, Pilot case)

Table 43 Statements about Individual Goals and CR (Translated)

The field of interactive process is also facilitated by a category of instruments which I termed *decision making templates*. Whilst most firms reveal that decision making is an entirely informal process, I registered some innovative approaches: In the production department of one of the companies (D), the board of management applies a decision-making template which requires the consideration and evaluation of social and environmental criteria. According to the firm representative, such templates nurture discussion and communication

¹⁴⁸ BDC1: 44; BDJ2: 40.

about these issues.¹⁴⁹ More specifically, some of the companies evaluate social and environmental criteria regarding their *product innovations*. This is done by hardwiring these criteria either into the stage-gate innovation process (B), or the product specifications (E).¹⁵⁰ Whilst CR would require a balancing of all three dimensions (economic, social, environmental) companies which already transcend the narrow financial perspective, then often overemphasise either the social or environmental dimension. For example, one of the car manufacturers stated that, since about a decade, evaluation of employment effects are a definite component of new product specifications, whereby environmental concerns (especially regarding carbon dioxide), were added rather recently.¹⁵¹

Another company (C) stresses the importance of integrated *risk management* for decision making in regard to business opportunities. The interviewee stated that a risk management which consequently addresses aspects of CR or business ethics was the right tool for making good decisions, especially because in many firms processes of risk management are already well established.¹⁵²

13.2.2 Leadership Metrics

Firms are increasingly investigating new metrics and tools to quantify and manage CR. The following Figure 67 demonstrates that firms do especially engage in perception measures. More than ever, firms apply instruments to measure the *overall* CR performance and sometimes also apply strategy tools like the balanced scorecard. Other solutions remain specific to each company. The following paragraphs present each instrument in more detail.

¹⁴⁹ BDX1: 18.

¹⁵⁰ BDD1: 66; BDR1: 7-9; despite statement in report, interview BDG1: 36 remains vague about it.

¹⁵¹ BDD1: 66.

¹⁵² BDE1: 68.

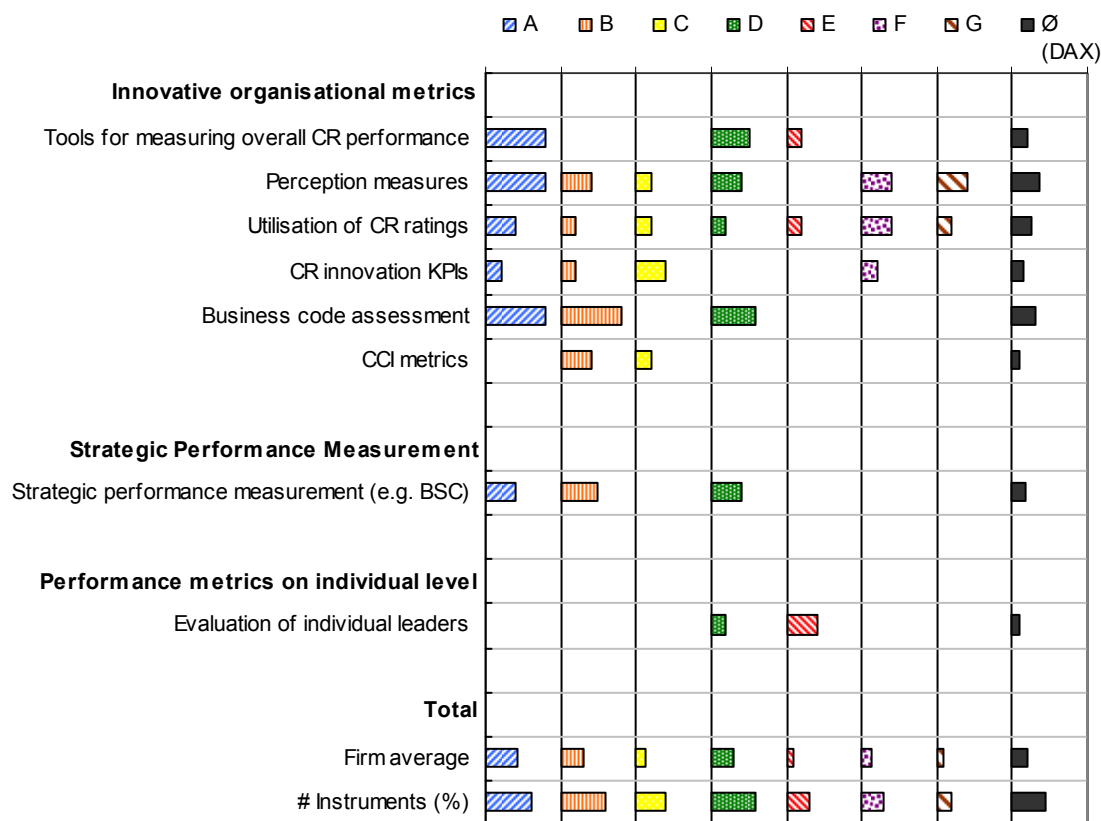


Figure 67 Leadership Instruments in the Field of Metrics

13.2.2.1 Organisational Metrics

In terms of *innovative organisational metrics* for internal control, my aim was to find solutions for integrated metrics which cover CR and its many aspects as comprehensive as possible whilst, at the same time, residing manageable in terms of complexity. I found different solutions. As explained in the foundations, evaluation of CR can be both internal and external and can be based on performance indicators and perception measures.

Company A developed two “Sustainability Excellence KPIs” to measure CR performance based on *external evaluation*. The first indicator represents the *customer perception on CR*; it is collected by an external market research institute through survey techniques. The indicator is calculated in a yearly manner and can, thus, be used for longitudinal comparisons (Table 44). The indicator is also reported in the company’s CR report.

KPI	Description	2007	2006	2005
SE KPI-1:	Customer perception of corporate responsibility	6.35	6.8	6.4

Table 44 Perceived CR Performance by Customers (Company A)

Source: Corporate disclosure

The second performance indicator is based on external evaluation by *CR rating agencies*. According to a firm representative, the aggregation of various rating results gives a good

overall picture on the external assessment of the company's CR achievements. Further, the representative argues, in comparison to internal measurement, external evaluation cannot be influenced by the firm and is, thus, more independent. Finally, external evaluation produces no costs.¹⁵³ The performance indicator, as published in the CR report, is illustrated in Table 45.

KPI	Description	Rating	2007	2006	2005
SE KPI-2:	Assessment of sustainability performance in sustainability ratings	oekom	(2005 valid)	(2005 valid)	Grade B
		SAM	79%	73%	72%
		Sarasin	52%	(2005 valid)	61%
		scoris	77.6%	77.0%	74.2%
	

Table 45 CR Performance Evaluated by Rating Agencies (Company A)

Source: Corporate disclosure

Besides the above example where the accumulated rating results serve as a major part of an overall CR indicator, evaluation results from *CR rating agencies* seem to be less used as performance measure. Whilst it is common to track and publish rating results, few firms present longitudinal data as in the above example. Some companies state that the diversity (and the related differences) of the various CR ratings were too huge for the use as a formal metric.¹⁵⁴ Still, most companies report that they use the rating results as a tool for the *internal analysis of strengths and weaknesses*. In this way, it is also used as *internal communication tool* to raise internal awareness for further CR challenges (Table 49).¹⁵⁵ The interviews also gave some insight into the process of provision of ranking data. Interviewees state that each rating agency has different requirements, leading to a high work load for providing the data. In some parts of the year, this consumes the working time of one entire person.¹⁵⁶ However, one expert with insight into the corporate practices noticed critically that, usually, a random intern is responsible for gathering data and filling out surveys for the rating agencies. Further, pseudo structures or instruments are formally introduced in response to survey questions.¹⁵⁷

¹⁵³ Protocol id omitted due to reasons of anonymity. Also, cf. SAD1: 113.

¹⁵⁴ BDG1: 77.

¹⁵⁵ BDG1: 74; BDF1: 102-104;

¹⁵⁶ BDG1: 75;

¹⁵⁷ SAD1: 62, 115.

Performance by External Ratings

"We are strongly working together with rating agencies. We use them both for a qualitative and quantitative evaluation of our CR performance. Thereby, it is important to regard the different expectation of each rating agency. This produces a lot of work and, in some periods of the year, blocks out entire people. We use the results mostly for internal communication and, ultimately, to initiate improvements in areas indicated by the ratings." (BDG1: 75-77, DAX)

"We use the results [from rating agencies] for the analysis of our strength and weaknesses, respectively to verify our self-perception. Still, they get the data from us so that we can imagine the nature of the results. It helps to compare us with other firms." (BDF1: 104, DAX)

"The aggregated rating results are used as KPI in our department scorecard." (BDK2: 99, DAX)

"Then we have that what is termed 'CR'. I am very sceptical. Exaggerating a bit, I sometimes have the feeling that this term is promoted by 'pressure groups' driven by people who live from that [CR]. An example are the reporting standards [GRI]. [...] Also, the rating agencies are part of these pressure groups. They depend on that firms take their ratings seriously. Of course, these things also help to promote CR; today no manager could state: 'CR doesn't interest me!' Still, it holds the risk of creating bureaucracy without any impact." (BDI1: 43, DAX)

"I think that oekom research [a rating agency] developed good criteria and, if the company collaborates with such rating agencies, a certain degree of measurability is possible. However, in large firms, for example in X [a DAX company] an intern collects the data from various departments and fills in the surveys. When firm X failed to enter the Dow Jones Sustainability Index, the top-management ordered to 'fix this in future'. It is absurd, but the results are not analysed or used as internal benchmark. Generally, to do it [ratings] is regarded a necessary evil." (SAD1: 113-115, Academic/NGO)

Table 46 Statements about External Performance Evaluation by Rating Agencies
(Translated)

Company D is cooperating with a research institute in order to promote the use of the *sustainable value* measure (cf. 9.2.1.2 in Part II). Though emphasising environmental aspects, this aggregate measure is calculated based on key indicators from the environmental (air emissions; waste generated; water used), social (no. of accidents; no. of employee), and economic (total assets) sphere. The company regards the SV approach as very useful, due to several reasons. First, it is based on the logic of the capital markets and is expressed in monetary units. This helps to use the indicator in internal communication, especially with the management, which is still somewhat alien to non-financial metrics. Second, the approach integrates different dimensions of CR in one single indicator. The firm states that the metric was not only used on *organisational level*, but also experimentally used on *project level*.¹⁵⁸

Metrics do not only relate to the core organisation, but can also address *upstream and downstream* areas in the value chain. To enforce standards in the supply chain, some companies (A, B, D) enact mechanisms to monitor suppliers.¹⁵⁹ This includes, for example, self-assessments and site visits. Two further companies (C, G) are planning to do so.¹⁶⁰ With regard to products, two of the companies (A, B) are currently participating in an integrated research project in order to develop a methodology for carbon assessment *on product-level*. Another noteworthy finding comes from a major division in one of the cases (F). The division is currently implementing a new indicator to measure its "*green innovativeness*".¹⁶¹ This is

¹⁵⁸ BDX1: 25-30.

¹⁵⁹ Cf. BDK2: 45.

¹⁶⁰ BDE1: 3; BDF1: 85.

¹⁶¹ BDG1: 73.

achieved based on the definition of eco classes. Each class represents products and technologies with a certain eco potential and is assigned with a specific eco weight. Exemplary classes address technologies in the area of carbon reduction, renewable energy, and energy-efficiency (Figure 68). Whilst these classes could also be used for portfolio management on a corporate level (cf. 13.3.1.2), in the case described here, classes were defined for the sole application in innovation management.

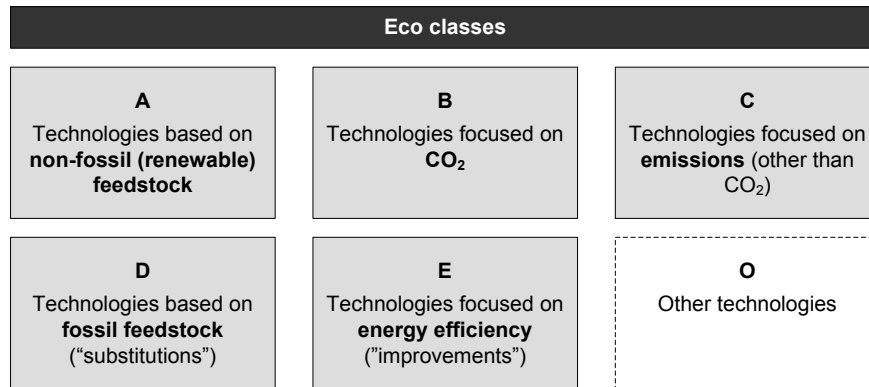


Figure 68 Eco Classes as Basis for Assessing Green Innovations

Source: Based on internal documents

Green innovativeness is then calculated in a three step process. First, all products and technologies of the overall innovation portfolio are categorised into the above eco classes. This is achieved by an internal expert group. Second, each product or technology is evaluated in regard to its maturity (i.e. the actual stage in the stage gate process): The further technologies are in the stage gate process, the higher is their maturity score. The firm's overall green innovativeness is then calculated by summing up the products of each eco score with the related maturity score (Figure 69).

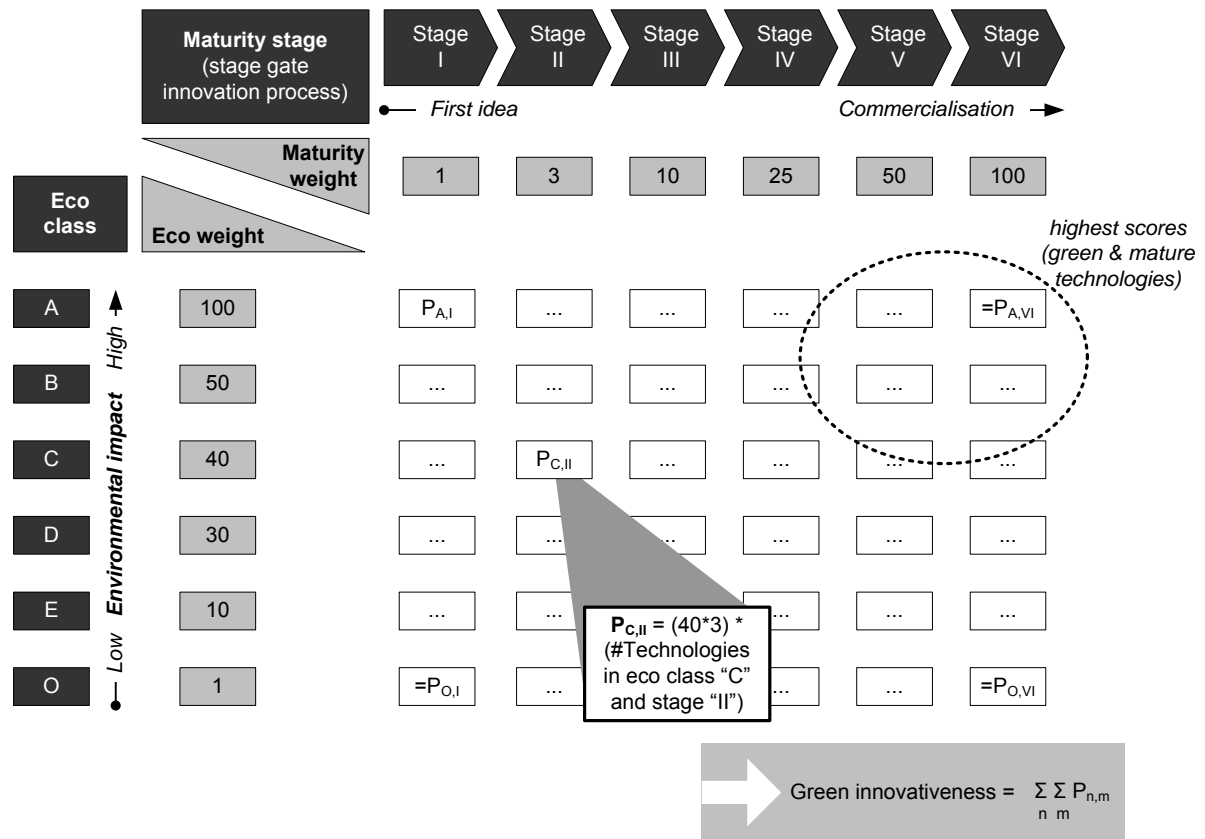


Figure 69 Mechanism for Calculating “Green Innovativeness” KPI

Source: Based on internal documents¹⁶²

Another form of CR evaluation is *perception measurement*, where employees, customers, or other stakeholders are asked for the perceived CR performance of a firm. Most of the companies use such perception measures, whereby the actual source and scope differs. Three companies (A, D, F) conducted international *stakeholder* surveys in selected countries in which they operate. Such surveys include questions regarding the CR image of the firm. Other questions try to upraise the most important CR issues from the stakeholder perspective. Usually, these results are used for the development of a *materiality analysis*. More focused *customer surveys*, are also used. As the example of one of the pilot case demonstrates, CR is addressed with explicit questions (Table 47).¹⁶³

¹⁶² Details for calculating the Green Innovativeness KPI are described elsewhere (Adamczyk, Hansen & Reichwald, 2009).

¹⁶³ BDC1: 59; BPB1: 148-150.

Category	Selected questions
Generic	[Firm name] is a well known name around the world [Firm name] is innovative
CR	[Firm name] has high ethical standards with respect to its customers and employees [Firm name] contributes significantly to local community programmes As a customer of [firm name] I feel proud of [firm name]'s work in society through their local community programmes

Table 47 CR-related Questions in Customers Satisfaction Survey

Source: Based on internal document

Four firms (A, B, D, F) also use *internal* surveys or opinion polls to elevate employee perception on CR.¹⁶⁴ In order to prevent over-surveying, this is usually done by introducing particular CR questions within existing employee surveys. This does not always address the umbrella-term CR, but can also address selected CR issues like work-life balance or health and safety.¹⁶⁵ Corporate values (which may include explicit CR values) are most often addressed, however, in an aggregated form. An exemplary question is “Do employees live up to our values?”¹⁶⁶. Other questions are only remotely related like, for example, “Would you recommend our products to others?” or “Do you feel comfortable in your organisation?”.¹⁶⁷ However, I also found dedicated CR surveys in selected units. For example, one subsidiary surveyed entire staff and management in order to reveal impacts of CR participation (particularly regarding corporate volunteering activities) on work attitudes and behaviours.¹⁶⁸

I gave special attention to the *societal dimension of CR measurement*, mostly addressed by *corporate community involvement*. This is because CCI measurement is a significant sign for that CCI is being followed seriously and strategically and, through this, more effectively. CCI measurement is approached very diversely. Four of the seven companies do not have any systematic measurement in place. The remaining ones (B, C), either report only on input measures (e.g., amount of donations) or use only qualitative evaluation in relation to defined targets.¹⁶⁹ The domain of CCI metrics can be said to be the most dynamic in this study. Three of the firms are currently under development or planning to develop new measurement systems.¹⁷⁰ One company (C) is currently in the process of developing measurement mechanisms for the evaluation of total business impacts on local communities.¹⁷¹

Whilst not part of the cross-case evaluation, I found one of the most advanced measurement system for CCI in a local subsidiary of one of the firms. This subsidiary engaged with an NGO which works for the betterment of local communities. The subsidiary partnered with the

¹⁶⁴ BDE1: 26; BPB1: 92.

¹⁶⁵ BDG1: 81; BPA1: 20; Planned: BDJ2: 40.

¹⁶⁶ BDR1: 25; BDI1: 48.

¹⁶⁷ BDI1: 47; BPA1: 20.

¹⁶⁸ Internal documents; Also: BPB1: 90-92.

¹⁶⁹ BDE1: 73-75; BDR1: 3; Outcome level: BPB1: 122.

¹⁷⁰ BDX1: 33; BDD1: 61; BDF1: 67, 92.

¹⁷¹ BDE1: 75.

NGO and primarily contributes in-cash and in-kind donations. As the subsidiary identified community involvement as major strategic driver¹⁷², it recently established sophisticated systems to measure its community impact. This includes output and impact measures, either evaluated by the firm's CR department, or by the NGO. The details are given in the following Table 48.

Category of programme	Metrics	Metric level	Metric source
Long-term involvement together with NGO partner	<i>Project 1:</i>	Impact	NGO partner (bi-annual)
	% of households with increased income		
	% households with increased resilience to livelihood shocks	Output	
	<i>Project 2:</i>		
	% youth participants demonstrating a life plan		
	% youths developing an alternative income generation activity	Input	
<i>Project 3:</i>			
\$ income earned by occupational group and its members	CR department (semi-annual)		
# communities executing forest protection			
Short-term activities through volunteering schemes	# Employee and customer volunteering programme (ECVP) activities per half-year		

Table 48 Community Involvement Metrics in a Local Subsidiary

Source: Based on internal documents

At the same time, the general manager of this subsidiary warns to not overemphasise CCI-related measurement:

“You don't have to measure everything, this is a wrong believe! I also do not try to measure ‘how much I like my girlfriend or my wife’; this is an emotional thing, comparable to the volunteering events. I don't need to let them fill in surveys because this only evokes resentments.” (BPB1: 119)

13.2.2.2 Strategic Performance Measurement Tools

Strategic performance measurement tools considered in this study are balanced scorecards and the EFQM model. Generally, company representatives stress the fact that either *balanced scorecard* or the EFQM model were too sophisticated and, hence, initial implementations from prior periods were not used or phased out.¹⁷³ This is especially the case for corporate-level scorecards: “The scorecard exists on group level, but, in practical terms, it is dead!”¹⁷⁴ Two companies (A, D) indicate the use of the EFQM model, however, more in operations and less for strategy implementation.¹⁷⁵ Table 49 below presents selected statements about strategic performance measurement.

¹⁷² A brand research conducted by the local subsidiary in 2008 revealed that CR and community involvement was the top brand driver, even before product quality.

¹⁷³ BDX1: 37-40; BDC1: 51; BDG1: 82; BDC1: 55.

¹⁷⁴ BDG1: 82.

¹⁷⁵ BDX1: 37-40; BDJ2: 40; BDC1: 55.

Strategic Performance Measurement

"Each function uses an adapted approach. Generally, there are goals, there are scores, there are frequent measurements, and there are escalation processes. Thereby, the 'score' is the crucial element. If you want to say so, this is a scorecard! But it is not as much formalised as the balanced scorecard approach demands. On the other hand, we use the EFQM model in our production, where 'scores' are also included. After all, scorecard and EFQM approaches are quite similar with the difference that EFQM is rather analytical, whereas the scorecard focuses on strategic control." (BDA1: 37-40, DAX)

"The EFQM model is rather abstract and has problems with precision. In regard to strategy implementation, the BSC is the best tool." (BDJ2: 40, DAX)

"Each division uses specific balanced scorecards. Most of them integrated sustainability. However, they are not referred to as 'sustainability balanced scorecards'. Ideally, the topic of sustainability becomes integrated that deeply that it doesn't require the explicit term anymore." (BDB1: 5, DAX)

"Our goals system was simplified. We had a balanced scorecard, but with our entwined structures the scorecard approach is too complex. [...] Concerning the integration of sustainability aspects into the scorecard, you should recall the following: We used the BSC and we included a variety of aspects like, for example, innovation. To date, however, we don't do this anymore to this extent." (BDC1: 51, DAX)

"This topic [EFQM] is in responsibility of Ms [...]. We were great promoters of the EFQM model for quite some time. Mr. [...] pushed this before. It is still partly used, however, due to the current focus on restructuring of the firm, only rudimentary." (BDC1: 55, DAX)

"The communication department, as much as the other departments, is controlled via a scorecard. Our CR department takes part in this scorecard and we are currently developing the KPIs for which we consider three dimensions: [CR] communication, CR issues, and economic aspects. The latter dimension covers how we manage our projects and budgets but also the economic impacts gained through our work in the former two dimensions, such as efficiency gains." (BDK2: 99-102, DAX)

"We have a balanced scorecard on group level, which has, however, no direct link to our function [CR]. The scorecard exists on group level, but, in practical terms, it is dead! Today, we rather follow the Six Sigma approach within our divisions." (BDG1: 82, DAX).

"The integration of CR aspects into our balanced scorecard probably boosts internal understanding on the relationships [between financial and social-environmental aspects]. Furthermore, it shows to everyone who joins or visits the firm that we — on the highest possible level — take it [CR] serious. It is not a one-off, but permanent." (BPB1: 155, Pilot)

"The balanced scorecard also integrates values and, thus, aspects of corporate responsibility. With respect to the environment, for example, this is represented by the policy on how to deal with dangerous substances." (BPA1, 45, Pilot)

Table 49 **Statements about Strategic Performance Measurement Tools**
(Translated)

However, exceptions exist: Two companies (A, D) use the BSC for individual target setting and evaluation.¹⁷⁶ Also, two companies use the BSC on division level (A, B).¹⁷⁷ Still, in another company (G), I found evidence for intense BSC usage only in a subsidiary.¹⁷⁸ Concerning *sustainability scorecards* (i.e., scorecards that integrate CR aspects), the results are similar. Of course, a successful integration depends on an effective traditional BSC system. In the few companies where I found evidence for a BSC usage, only one (A) is *planning* to use it for CR: In this firm, most of the business units and central functions use a scorecard. The company, thus, considers to integrate several CR metrics into the scorecard of the communication department to which the CR unit belongs to. Three categories of metrics are planned: *Communication* metrics relate to the performance of CR communication; *content*

¹⁷⁶ BDC1: 44; BDJ2: 40.

¹⁷⁷ BDR1: 5, 13. BDK2: 100.

¹⁷⁸ BDF2: 138.

metrics relate to the issues the CR unit drives (e.g., climate protection); and *economic metrics* deal with the efficiency of the CR unit and the economic impacts derived from projects of the content dimension.

Beyond the DAX companies, both *pilot companies* use the BSC for CR integration.¹⁷⁹ One of the pilot cases uses the BSC to make reference to corporate values, which also include environmental considerations. The most advanced system, however, exists in the other pilot case. This firm follows a decent community involvement strategy. In partnership with a local NGO, it addresses local communities in need through corporate donations, and through employee and customer volunteering projects. Instructed by the firm, recent brand research found that CR was the top brand driver in the local market — even before product quality. The top-management, thus, decided to integrate community involvement aspects into the BSC system by adding an additional “social perspective”. The management stressed that both community impacts and business impacts are to be part of the BSC (Figure 70).

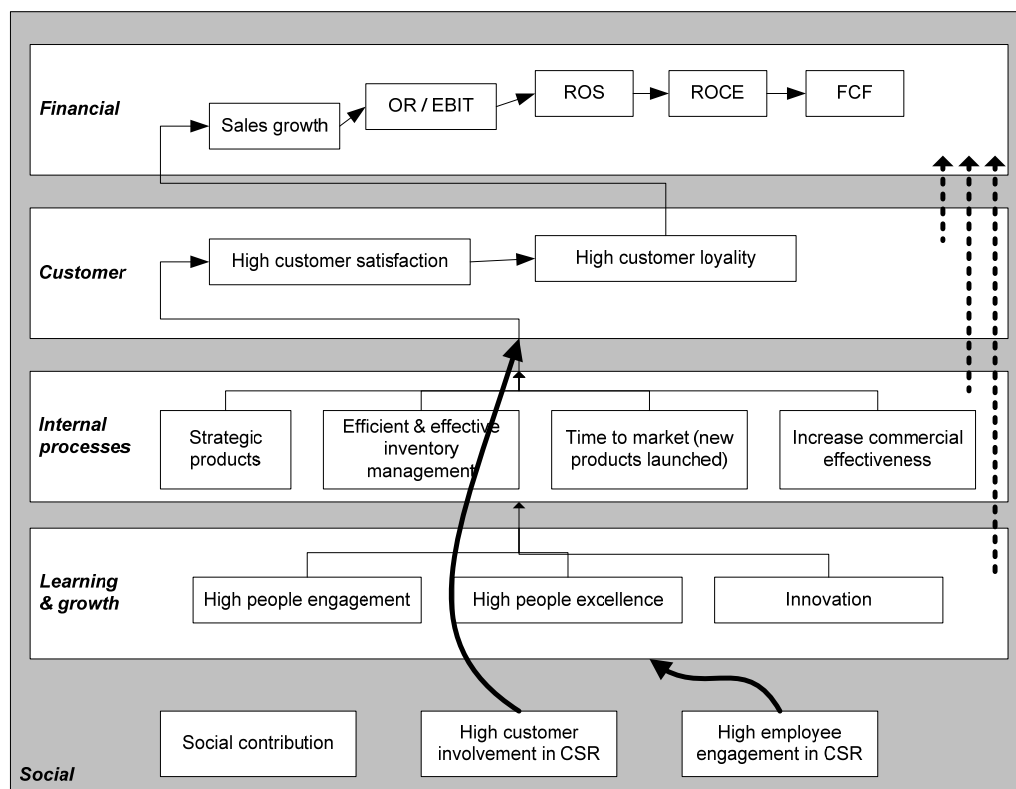


Figure 70 Strategy Map of a Balanced Scorecard with an Additional “Social” Perspective

Source: Internal documents

As presented in the figure above, the social perspective contains three strategic goals:

- The first goal, “social contribution”, assures that the projects indeed advance the communities. It is measured by *output* and *impact* metrics in cooperation with the NGO.

¹⁷⁹ BPB1: 154; BPA1: 45.

- The goal “customer involvement in CR” assures that community investments are recognised by customers. This is measured by the “customer participation level”, which itself is determined either by the amount of donations or by level of (in-person) participation in the volunteering projects.
- The third goal, “employee engagement in CR”, is also measured by the participation level in volunteering projects, but also through the perceptions-based overall assessment of the firm’s community activities.¹⁸⁰

13.2.2.3 Individual Performance Evaluation

Concerning *individual performance evaluation of leaders*, most of the companies have formalised evaluation methodologies in place. These are based on leadership models, competency frameworks, or other management conceptualisations.¹⁸¹ However, formalised integration of CR into such schemes is virtually absent in the analysed firms. As exception, I found one firm (D) which recently integrated CR in one part of its management model (cf. Figure 64 on page 167). In this firm, the evaluation of individual leaders (i.e. the goal achievement) is conducted via BSCs. Thus, if the leadership model cited above is taken seriously, the scorecard and subsequent evaluation could also include CR aspects. The interviews, however, could not entirely reveal the extent of the firm’s details for this issue. Also, *culture surveys*, as a special form of employee surveys, link employee evaluation judgements to individual leaders, team, or units. In this way, individual leaders are assessed according to whether they live up to corporate values.¹⁸²

One firm (A) uses a three-dimensional performance evaluation scheme composed of performance with regard to *target achievement*, performance with regard to *corporate values*, and *leadership potential* (Figure 71).¹⁸³

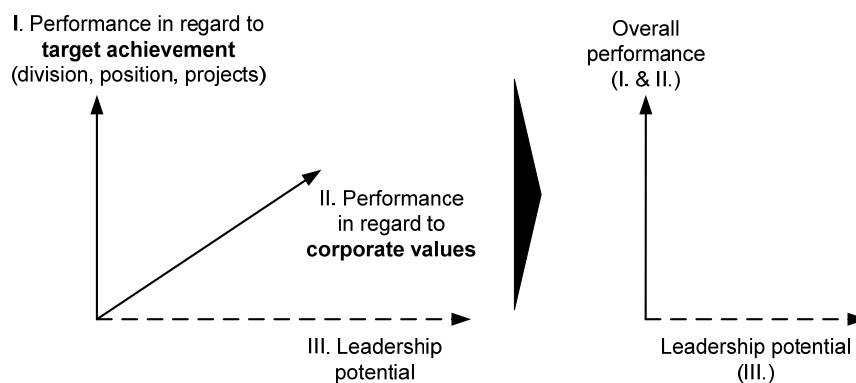


Figure 71 Leader’s Performance Evaluation (Company A)

¹⁸⁰ Further information is given elsewhere (Hansen, Sextl & Reichwald, 2009).

¹⁸¹ BDI1: 38; BDJ2: 50.

¹⁸² BDR1: 25; BPA1: 32.

¹⁸³ BDI1: 38.

The same firm uses 360-degree feedback, still, this is only applied voluntarily and for very selected groups (top-management).¹⁸⁴ Other firms, to some extent, stressed the importance of CR aspects in *staff meetings*, however, they mostly remained opaque about the details.¹⁸⁵

13.2.3 Leadership Deployment

I analysed CR integration in the field of leadership deployment according to three major types: *Monetary* incentives and rewards (incentive pay); *non-monetary* incentives and rewards; and *compliance*. An overview of the results is given in Figure 72.

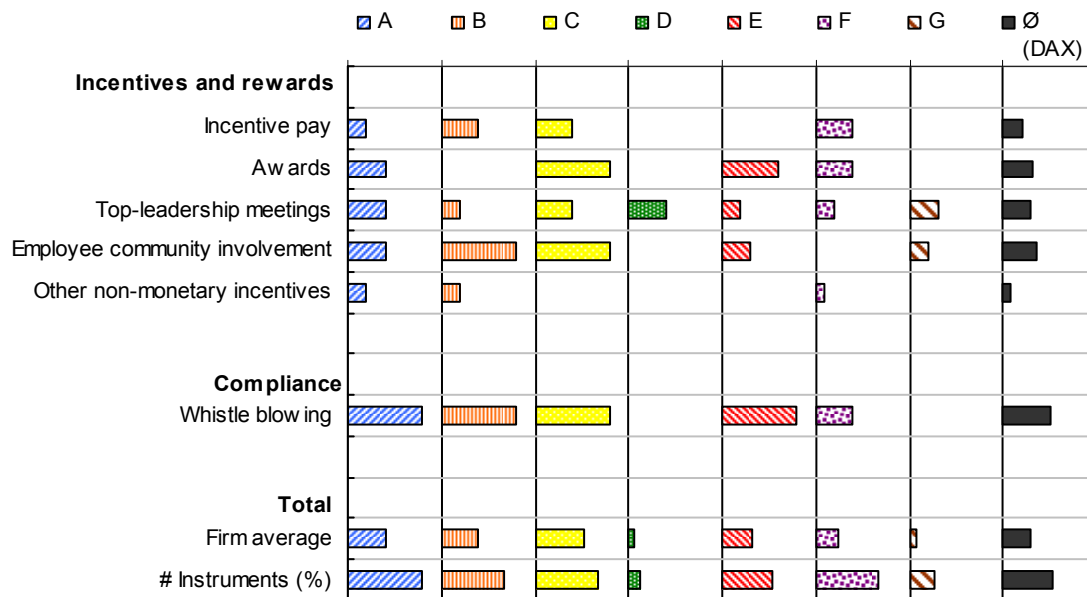


Figure 72 Leadership Deployment and CR

Overall, the above results show low activity in the section of *monetary* incentives and rewards. A higher activity is recognised with regard to *non-monetary* incentives and rewards. A majority of companies uses awards, top-leadership meetings, and employee volunteering. In the area of *compliance*, virtually all firms implemented decent compliance systems. The details of these deployment instruments are presented in the following paragraphs.

13.2.3.1 Monetary Incentives and Rewards

Generally speaking, firms are rather defensive in respect to *monetary incentives and rewards for CR*. One company (D) bases its evaluation and compensation schemes on a leadership model which itself is based on values (including CR-oriented values) — in how far these values indeed influence compensation remained obscure.¹⁸⁶ Still, most of the companies use monetary incentives and rewards bound to selected CR aspects for managers in specific positions. About half of the analysed companies (B, C, D, F) report that one part of the

¹⁸⁴ BDI1: 50.

¹⁸⁵ BDD1: 72.

¹⁸⁶ BDJ2: 50.

incentives of *production managers* can include the unit's health and safety performance.¹⁸⁷ Rather new is the link of incentive systems to *compliance performance*: Two companies (C, F) report of incentive systems linked to compliance performance, thereof one recently introduced it and the other is still in the implementation process. This can address general managers on all hierarchical levels and can be especially effective for CEOs of local subsidiaries.¹⁸⁸ One company considered to make one part of the variable pay of *procurement managers* dependent on the sustainability procurement performance. This performance construct describes in how far a manager successfully adopts sustainability criteria in the contracts with supplier under his or her responsibility.¹⁸⁹

These results show that companies are very defensive in regard to CR-oriented variable pay. This is also reflected in the controversial statements of interviewees presented in Table 50.

Monetary Incentives

"You don't need them [CR-oriented monetary incentives]." (BDF2: 116, DAX)

"I think it depends on the specific issue. If somebody achieves a target, for example, that our employees get trained regularly, [...] then a simple handshake wouldn't be enough. On the other hand, if a person is involved in community projects, for example in the organisation of aid transports, he or she doesn't get money for that — which is okay because it is voluntary engagement." (BDF1: 116, DAX)

"I don't want to rule out the possibility that we had compensation schemes in the US or in South Africa according to whether procurement managers achieved diversity policies. Honestly, I don't know it. This topic is difficult, especially in its regional scope." (BDE1: 97, DAX)

"Immaterial incentives are much more important than monetary ones. Our company is build on this premise." (BPA1: 33, Pilot)

"Incentive systems — 'a la' stick and carrot — don't play a role in our company. This goes back to our founder [...] who wanted to develop a firm with employees who don't need to be pushed." (BPA2: 24, Pilot)

"I think it is difficult to frame it [CR] in monetary terms. However, it has to be reflected by the monetary system in some form. It is wrong to think that due to its soft nature it remains a non-monetary issue. It should be reflected in both incentive systems [non-monetary & monetary]. If this is not the case, it loses credibility." (SAD1: 130, Academic/NGO)

Table 50 Statements about Monetary Incentives (Translated)

Additionally, some of the companies argue that an *indirect monetary component* is given through corporate strategy and the goal system: Whenever CR goals become part of the strategy or of individual goals, they automatically become monetary incentives.¹⁹⁰ However, as one representative stated, goals are usually missing.¹⁹¹

13.2.3.2 Non-monetary Incentives and Rewards

Concerning CR, the analysed firms do more strongly engage in *non-monetary incentives and rewards*. This is most importantly done through formal *top-leadership meetings*. These meetings, which bring together leaders from the corporation worldwide and usually gather in

¹⁸⁷ BDG1: 61; BDR1: 27; also: BDE1: 79; BDX1: 59.

¹⁸⁸ BDE1: 24-26.

¹⁸⁹ The company representative wished to remove this aspect from the protocol.

¹⁹⁰ BDX1: 62; BDJ2: 51; BDC1: 65; BDF1: 113; BPB1: 158.

¹⁹¹ BDF1: 113.

annual or bi-annual mode, are a strong communication platform. I found different ways for such integration. Even though one-off, one company utilised the annual *top-leadership meeting* for the internal discussion of the future CR strategy, by putting CR as major topic on the agenda of the meeting. In operational terms, this was done within poster sessions, workshops, and plenary sessions, which were partly mandatory. Whilst this showed a high priority and good participatory approach, the meeting results were contradictory. A majority of the managers wanted to follow a more proactive CR approach and some voices then also called for mainstreaming CR by treating CR the same way like other business goals. When these results were presented in the plenary session, however, the CEO refrained from commenting any of these results. As of the information of a general manager, the feeling remained that this was going too far and was not supported by the executive board. This highlights the role of CEO leadership in driving CR, albeit through a negative example.¹⁹²

One company (D) has institutionalised a *leadership dialogue forum* in which it meets with special stakeholder groups on a regular basis. This can include groups as diverse as NGOs, environmental activist groups, church members, and police representatives. This dialogue shall inspire corporate leaders with new ways of thinking.¹⁹³ Another firm (A) combines the idea of a top-leadership meeting with the one of a stakeholder dialogue. In this firm, the entire top-management, including regional executives, is invited to participate at the annual stakeholder dialogue. According to the firm, this allows for stakeholder dialogues with participants equally distributed amongst stakeholders and executives.¹⁹⁴ One of the pilot cases held its annual top-leadership meeting in a focus region of its community involvement programme — a rural, underdeveloped region:

“I am organising the ‘Leadership Team Off-site Meeting’ four times per year, of which one is held in one of our community involvement action areas. This is a trip from Friday to Sunday — in order to avoid a perception of tourism. This is not a ‘travel of joy’. The managers get prepared and once arrived we visit villages and schools and get briefed by local villagers. It’s not physical work, but neither leisure. You get deeper insight, which is also honoured by the participants. I believe that the direct involvement in our action areas has a strong emotional impact. In the morning or evening in the hotel, I hold my normal leadership workshop.” (BPB1:224)

Some of the companies (C, F) use leadership meetings as *a stage for the presentation of awards* which honour engagement and successes in the area of CR.¹⁹⁵ Elevating such awards to an issue on the agenda of top-leadership meetings demonstrates participants that CR indeed matters. Three firms, however, remain vague about their top-leadership meetings. For example, they state that corporate values “also play a role” or that CR is “partly integrated, partly not”.¹⁹⁶ More generally, company representatives state that the role of top-management in promoting CR is an important incentive for executives.¹⁹⁷

¹⁹² BDF1: 41-50; BDF2.

¹⁹³ BDX1:56.

¹⁹⁴ BDC1:69.

¹⁹⁵ BDG1:88; BDE1:90.

¹⁹⁶ BDG1:87; BDR1:33; BDD1:84.

¹⁹⁷ BDX1:53; BDR1:21; BDE1:90; BPB1:217; SAD1:126.

Independent from the award *ceremony*, *CR awards* are also strong incentives and rewards. In 2007, one company (C) introduced an award explicitly termed “Corporate Responsibility Award”. In this firm, every year, the award’s call for submission addresses a particular topic in the area of CR. The award is given to teams. This is one of the first examples where an award scheme addresses CR in such explicit ways. This example is also interesting for another reason. The CR award aims at demonstrating the link between CR and business success. In the second year, the company launched the award announcement with the topic of *bottom of the pyramid markets* by asking for solutions invented and/or applied in the subsidiaries worldwide. The aim of this approach was to accumulate corporate knowledge on problem solving for societal challenges, especially in developing nations. This knowledge could lead to the development of new technologies and is, thus, a potential source for future business success.¹⁹⁸

Other awards often focus on a specific CR issue. Two of the firms (E, F) utilise *health and safety awards*.¹⁹⁹ One firm (A) implemented a *diversity award* and also utilises an employee competition for fuel efficient driving and energy saving.²⁰⁰ Another firm (E) also deploys an award for *environmental issues*.²⁰¹ In the US subsidiary of one firm (C), an award honours *community involvement*. Whilst these awards were often already in place before CR became the guiding framework for corporations, it seems that in such cases the CR movement can lead to further settlement or extension of these. For example, the above firm possessing the environmental award is currently working on an extension on European scope. One innovation award is also used to address *sustainability-oriented innovations*.²⁰²

In the theoretical framework, I also stressed the importance of *employee community involvement*, especially employee volunteering programmes, as a type of non-monetary incentive and reward for employees and managers. The status quo in the analysed firms is that two companies (B, C) provide formal employee volunteering programmes fully covering in-cash, in-kind, and in-time contributions. Two companies (A, G) are currently rearranging their diverse regional approaches and are formalising a global strategy in this regard. The majority, three firms, do not have any formal volunteering system in place.²⁰³ One of the latter firms does still offer a semi-formalised approach to volunteering. According to the CR manager, the company traditionally supported selected community projects with donations and also with the provision of infrastructure. Such projects were traditionally initiated through the help of the workers’ council and than usually supported by the executive board with respect to financing, communication channels, and further infrastructure.²⁰⁴ In contrast to more formalised approaches, this practice does not actively inspire CCI projects and only leads to few, rather ad-hoc projects. Despite the low percentage of firms with progressive volunteering

¹⁹⁸ BDE1: 90.

¹⁹⁹ BDD1: 78.

²⁰⁰ BDC1: 71.

²⁰¹ BDD1: 78.

²⁰² BPB1: 161.

²⁰³ BDD1: 92; BDF1: 122; BDC1: 26.

²⁰⁴ BDF1: 118, 122.

schemes in place, I recognise a clear *trend in favour for volunteering programmes*. Three of the firms plan to create or extend their programmes.²⁰⁵ Also, as indicated in the field of metrics, five of the seven companies currently work on improvements in CCI metrics.

Some of the interviewees state the importance of “*success*” in CR as another incentive for leadership in CR.²⁰⁶ One of the companies sees the external evaluation results by, for example, the Dow Jones Sustainability Index, jointly with the positive media coverage, as an important source for the motivation of leaders. This may be best described by the CEO who proudly presents the firm’s exceptional CR ratings results in a lecture or other representative session. The positive feedback he may get, could subsequently lead to his (stronger) support for the CR initiatives. Another interview partner adds that successes, in which employees on a broad base can (emotionally) participate, are especially important.

More generally, *recognition* for CR efforts and results is a central reward. When this is not done in monetary form, various formal and semi-formal procedures are a good replacement. Often the pure *attendance by superiors* can be sufficient recognition. One firm states that it recognises employees for societal contribution in the *employee magazine*.²⁰⁷ The earlier mentioned *internal awards* and *top-leadership meetings* are only stronger forms of this type of recognition. Another incentive and reward is to link CR to *career advancement* (see paragraph 13.2.4.1).

13.2.3.3 Compliance

I discussed the incentives and rewards linked to CR above, which represent the *positive* consequences when promoting CR. Still, there is also the need for *negative* consequences in the case of misconduct. This is generally covered by *compliance instruments*. As the initial overview revealed, all analysed companies have considerable compliance systems in place. This situation is entirely different than several years before. Due to major corruption scandals and related frauds, many firms invested heavily in compliance architectures.²⁰⁸ This allows for the observation that, regarding systems and instruments, the company with one of the largest recent compliance crisis is currently establishing a compliance infrastructure which will probably be regarded best practice in future.

The major difference in compliance systems exists concerning the *scope* of CR aspects covered. Compliance systems in the narrow sense focus on *anti-corruption*, whereas systems with a wider scope cover compliance issues in regard to *all corporate rules and codes*. Most companies analysed (A, B, C, F, G) aim at compliance in the wider sense. Only two of the companies remain with the narrower anti-corruption systems. The major difference in compliance implementation is reflected by the type and depth of instruments implemented to report misconduct. The majority, four companies (A, B, C, E), implemented *whistle blowing systems* with *external* ombudsmen as contact units and, thus, allow for the highest possible

²⁰⁵ BDD1: 92; corporate disclosure.

²⁰⁶ BDC1: 63; BDX1: 53.

²⁰⁷ BDF1: 122.

²⁰⁸ According to corporate disclosure of four firms.

protection of informers. One company (F) provides a system with *internal* contact positions only. Two companies do not have any of such systems in place.²⁰⁹

13.2.4 Selection of Leaders and Leadership Development

In the field of selection of leaders and leadership development, I distinguish selection instruments, on the one hand, and leadership development instruments, on the other. Development instruments are all types of *internal and external formal development programmes* for executives which cover CR-related content. Further, I have differentiated between rather *horizontal* approaches (aiming at development of skills and knowledge regarding CR) and rather *vertical* development programmes (aiming at shifts in mindsets through experimental techniques). An overview of results is given in Figure 73 below.

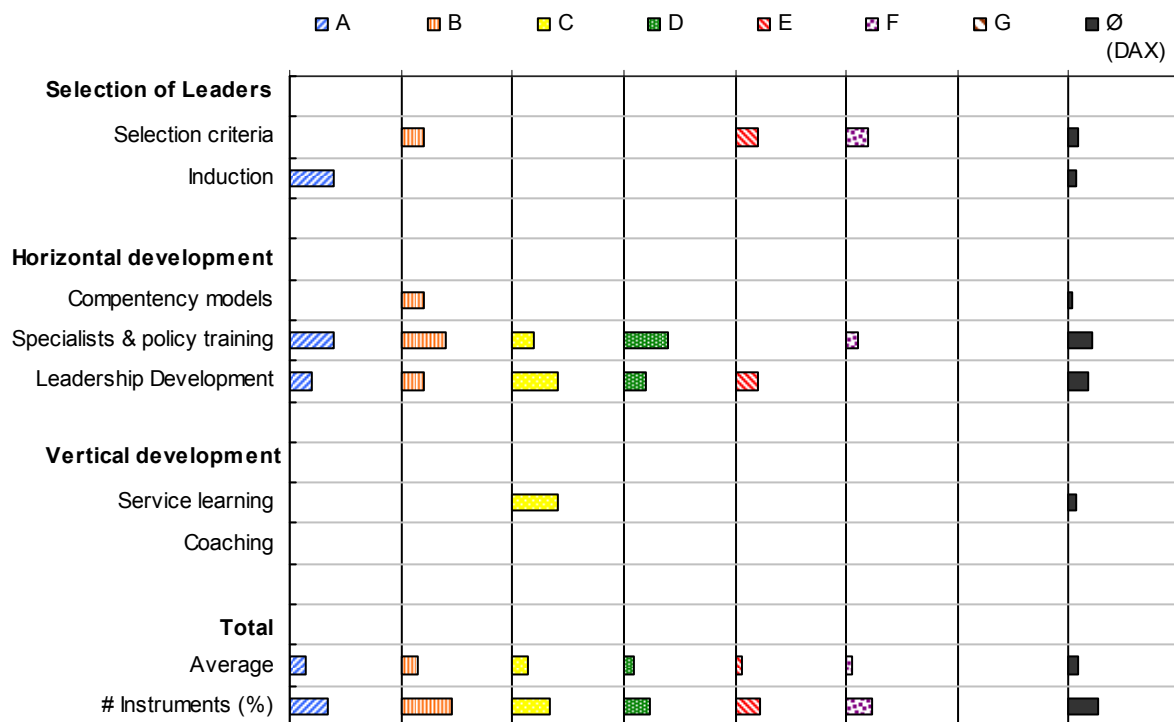


Figure 73 Selection of Leaders and Leadership Development and CR

The results in the field of selection and development strongly differ from the ones in the other fields. Most obviously, the analysed companies see less relevance for CR integration in this field. This is reflected by the low scores achieved in most of the instruments. Still, individual firms engage in CR-related leadership development programmes and specialists training. The details are described in the following paragraphs.

13.2.4.1 Selection of Leaders

Some of the companies state that CR-oriented behaviour plays a role with respect to the *selection of leaders*. However, in all examined firms this remains *informal* (Table 51).

²⁰⁹ According to corporate disclosure.

Selection of Leaders

"I regard this [CR-oriented development programmes] under the category of social competencies, interconnected thinking and action, and tackling issues broadly. I would not use 'sustainability' as a criterion." (BDC1: 82, DAX)

"People get selected and promoted if they fit to the culture, but even more important, if they accomplish their tasks. If they don't accomplish their tasks, but perfectly fit to the culture, they won't make career, in whatever unit! Vice versa, if they don't fit to the culture, it at least won't get easier to make career." (BDB1: 31, DAX)

"Not systematically! Some positions require an assessment centre, in which the impression about the candidate's personality is most important. Then, it depends on the internalised values of the people who make the assessment in how far values of the candidates are recognised and also expected." (BDF1: 130, DAX)

"Freedom [to regard CR aspects in selection of leaders] exists during the evaluation of recruits and employees. However, we don't have an explicit indicator system and I don't know if this makes sense in the first place." (BDD1: 76, DAX)

"We hire for attitude! You can already see that in the questions applicants have to answer. The third question relates to our vision statement [which also regards society]. Here, they [applicants] already have to show their colours [...]. It would be a knock-out criterion if somebody would only see 'care for shareholders' [and not care for, e.g., society]." (BPB1: 181, Pilot)

Table 51 Statements about the Selection of Leaders and CR (Translated)

When recruiting or selecting leaders (either externally or internally), *induction mechanisms* offer firms the chance to address them with selected content in order to prepare them for the job in the new firm or for the new position within the same firm. DAX firms do not systematically use induction to address CR. Only one of the firms (A) states that it addresses new employees with CR content in a semi-formal way.²¹⁰ Still, the pilot case shows that this can also be done in more formal way. Here, the new employee gets CR information on the very first day in the firm. Additionally, three times the year the CR manager provides an in-depth CR presentation for new employees.²¹¹ At the other pilot company, new employees are confronted with the corporate credo stating that "We want to act fair".²¹²

13.2.4.2 Horizontal Leadership Development

One potential approach towards horizontal development uses *skills and competency frameworks*. They describe required and desired skills, competencies, and abilities current and future employees should possess. In the analysis of DAX firms, I could not identify any company which integrates CR-related skills. Only one of the pilot firms has started to investigate the meaning of CR-related competencies as a basis for new training designs.²¹³ At best, such competencies remain in the category of what is usually referred to as "soft skills". Still, the competency model of one firm (B) comes closest to what could be important for CR. This model defines and clusters competencies into three categories "hand", "head", and "heart". The latter category of "heart" includes competencies and skills like, for example, communication skills and partnership skills.²¹⁴

²¹⁰ BDC1: 69.

²¹¹ BPB1: 72.

²¹² BPA2: 8.

²¹³ BPA4: 42; BPA1: 33.

²¹⁴ BDR1: 17.

An integration of CR content into *development programmes* is achieved by different means. Some of the companies involve in “*policy training*”; they accompanied *new formal corporate strategies* with leadership trainings and workshops. Two of the companies whose corporate strategies also address CR, integrated these aspects in trainings and workshops accordingly.²¹⁵ In one of the latter companies this was done rather generic because CR played only a minor role in the formulated strategy. In the other company in which CR is one definite part of the formal strategy, CR became part of the development programme in the form of an extra module. This includes interactive learning units and subunits (e.g., teaching cases). This company also aims at deepening understanding in focal topics, rather than dealing with CR on a generic level.²¹⁶ Another issue currently stressed as well as broadly addressed within companies, is *training in codes of compliance*.²¹⁷ Depending on the scope of compliance, such trainings either narrowly address misconduct in regard to corruption or broadly address the entire code of conduct and related guidelines. Because of the broad audience to be addressed, such training is often conducted through *e-learning* technologies.

Leadership development can also address specialised functions or rather narrow issues related to CR, which I have termed *specialist training*. This is an area which is currently being extended in about half of the analysed companies (Table 52).

Specialist Training

“It [CR Training] is important indeed. But it needs to be approached in a way that participants take something substantial out of it. The people come from different areas, as diverse as controlling, sales, and technical functions. If you address these people with topics which are rather abstract, they will ask themselves: ‘What does that have to do with me?’” (BDC1: 77, DAX)

“We are trying to do it with procurement. That was the area where we made real progress four years ago. We developed a special training tool for the procurement managers to better understand sustainability in the procurement area.” (BDK2: 104, DAX)

“We address plant managers with dedicated trainings for safety, health, and environment which clarify our expectation and our limits. [...] Generally, the question is which specific [CR] knowledge is required? This is different for plant managers and the marketing function. It doesn’t make sense to assign a standard ‘sustainability’ training to the entire sales function; rather specific sales people or customer segments are selected and addressed with customised information. That is what we do.” (BDB1: 17-19, DAX)

“We do not only need to work on a [training] module CR in general, which is more or less a mishmash. We also work on deepening focal topics, because we see this as a long-term necessity.” (BDE1:41, DAX)

“Our training and development addresses this through function-specific trainings, for example, by giving safety trainings to our employees concerning handling of gases. [...] Overall, I have to admit that CR still has a subordinate role for leadership development.” (BDG1: 98, DAX)

“Concerning the environment, it wouldn’t make sense to train all functions in environmental issues. Moreover, we do not make training a mandatory element; we rather work based on offerings.” (BDI1: 32, 56, DAX)

Table 52 Statements on the Role of Specialists Training and Policy Training in CR-Related Issues (Translated)

Current solutions of specialist training include the following: *Plant managers* and other production-oriented executives are trained in issues related to safety, health, and the

²¹⁵ BDE1, BDX1.

²¹⁶ BDE1: 39.

²¹⁷ BDI1: 32; BDE1: 27.

environment.²¹⁸ In line with the increased awareness of CR issues within the supply chain, firms increasingly train *procurement managers* in CR-related fields. This facilitates supply chain decisions (especially procurement decisions) that reflect the more progressive codes of conduct for the supply-side.²¹⁹ Two companies (D effective, C planning) also report of trainings with regard to the *development of environmental-friendly products*, which can, for example, address life-cycle assessment methods.²²⁰ The company already executing such trainings stated that the training demand for the R&D function is currently mounting in significant ways. One company (B) addresses marketing and sales people of selected customer segments with customer-oriented CR training (i.e., CR in product characteristics).²²¹

In general, most analysed companies (B, D, F) report of a hierarchically distinguished *leadership development* concept. Often this is layered into three levels: Top-executives, middle management, and leadership talents. The top-executive programmes are often in cooperation with external educational institutions (e.g., business schools). About half of the companies refer to the entirety of programmes as (*corporate*) *university*. However, there seem to be few differences to other approaches not using this terminology.²²² Overall, there seems to be *no* integration of CR-related content into these types of programmes.²²³ Also, none of the company representatives reported on *external development programmes* related to CR.

Still, company disclosure shows that one of the rather progressive companies (B) conducted a two-day *CR seminar for top-managers* in order to spread their global standards. As an extension to 180 or 360 degree feedback tools, this same company also provides executives with feedback seminars concerning their values as perceived by their environment (e.g., colleagues, employees).²²⁴ Also, one of the pilot companies recently developed a *CR training programme* for all employees. The three hours session consists of presentations on the firm-specific CR approach; videos on past CR and CCI projects; emotionalising videos; and a workshop in which participants develop new CR projects (Figure 74).²²⁵

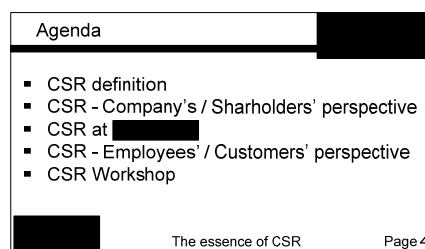


Figure 74 Design of a General CR Training

Source: Internal document (company-specifics blackened)

²¹⁸ BDG1: 98; BDR1: 17

²¹⁹ BDK2: 104.

²²⁰ BDX1: 65.

²²¹ BDR1: 19.

²²² BDG1: 98; BDD1: 106–110; BDF1: 126; BDJ2: 59; SAD1: 141.

²²³ Some state that there would be some degree of integration, however, statements remain vague (BDJ2: 59).

²²⁴ BDR1: 33.

²²⁵ BPB4.

Some of the initiatives that originally aimed at CR-oriented development programmes have been reoriented, never came into practice, or were entirely cancelled. Some years ago, one company (E) planned a corporate university with a particular focus on CR-related topics. During implementation, however, this CR-orientation was watered down. To date, this corporate university offers a small number of voluntary, CR-oriented formats, such as a *teaching unit on carbon reduction*. Additionally, broader formats are delivered addressing personnel and service management in the context of societal challenges.²²⁶ According to its CR roadmap, another company (F) planned the development of CR training content and its integration in the corporate university. The interviews, however, revealed that the entire concept for the corporate university has been under revision due to a major acquisition and integration process. Thus, it remains entirely uncertain whether the plans for CR integration ever get effective.²²⁷

Generally, I identified a *divide between the CR unit, on the one side, and the functions of HR and HR development (HRD), on the other side*. Many of the CR professionals could not answer questions about leadership development or stated that HR was not involved.²²⁸ One firm representative who reported of CR training modules (traditional training and service learning components) did not provide more in-depth information and refrained from making direct contact with responsible persons from the HR function. At the same time, interviews with dedicated HR professionals (in other firms) did not reveal any serious CR-related development initiatives. The statement of one of the HR executives maybe best explains this situation: Though a believer of social-environmental change in business, this executive saw the major leverage for CR at the side of customers and the regulatory framework and, hence, neglected the role of internal leadership capabilities for making firms drive the CR agenda.²²⁹ Also, one HR executive stated that I should address this question to the CR department, as they would be the ones delivering contents. The hypothesis of a divide between CR and HR is also supported by statements that most of the CR-oriented trainings are offered only in voluntary nature.²³⁰

13.2.4.3 Vertical Development and Service Learning

I described *vertical development and service learning* as development aiming at higher awareness for the need of CR by developing a “CR mindset”. Most of the analysed DAX firms do not engage in such vertical development. The only instrument applied in few of the cases is *service-learning*. Interviewees acknowledge the usefulness of service learning and state that it is an “emotional experience”, it provokes a “stimulus” to rethink world views, it can lead to the development of social skills, to personal development, and it creates meaning (Table 53).²³¹

²²⁶ BDD1: 109.

²²⁷ BDD1:107.

²²⁸ BDX1: 63; BDE1: 83. also: BPA4: 41.

²²⁹ BDJ2; BDI1:41.

²³⁰ BDX1: 65; BDC1:73; BDI1: 57; BDD1:91, 104; BDR1: 35.

²³¹ BDC1: 79; BDR1: 34; BDE1: 85; BPB1: 208; BOA1: 91.

Service Learning

"We realised that most of the employees already have diverse experience in organisations, associations, political parties, and thus know the reality outside our company and customers. Indeed, it [service-learning] makes sense, but it is important to think about where to integrate such a component. I wouldn't make it mandatory. At the same time, I'm sure that nobody who misses out on such experiences would get into a higher position in management." (BDC1: 79, DAX)

"If voluntary, it [service-learning] can be a good thing. But, one has to be careful with stuff like: 'You still need some social competencies, so you go to the home for the elderly and help!'" (BDB1: 34, DAX)

"The difficulty [with service-learning] is — and this is my personal view — that it is not clear what the primary goal is. You can activate executive and staff — -whether teams, prides, or hordes — for charity activities. I'm quite sceptical about the usefulness of sending such teams to a one-day activity. From the perspective of sustainability, this is obviously not sustainable. Rather, it is a stimulus, an impulse. The outcome is said to be team-building, social skill development, and alike; this is that 'a manager still knows that laundry has to be laundered'. That's all good, but it is not corporate citizenship! It is leadership development or human resource development: A social milieu is exploited for a corporate development experience. You can do that, but it is then HR development and not citizenship. Then — and we are discussing this internally — I think we shouldn't include this in our [citizenship] statements. [...] I am quite radical and think that, when we send our employees for social skill development to such [social] institutions, then we should pay them [the institutions] accordingly." (BDE1: 85, DAX)

"You have to be very careful how you term this. But, in the end, it is my explicit goal to nurture personal development. I see how they [corporate volunteers] come back. [...] It has a strong emotional impact on them. [...] Also, when I travel with the management team [to underdeveloped community areas], they see the poverty. Thus, it is a development programme on a personal level, not business-related. It changes their world view a bit." (BPB1: 208, 215, Pilot)

"Some years back, we had a pilot project with respect to CR together with our NGO partner. I asked the NGO whether they could offer some kind of programme to develop the social skills of our employees. We selected the talents of our middle management. In groups of three we sent them one week into our community action regions. [...] However, this approach failed due to the limited cooperation of the NGO management — they didn't come up with ideas about what our people could help." (BPB1: 183, Pilot)

"Participants gain experiences which go far beyond that what they can find within an organisation or the corporation. This discharges energy; that is the core. We don't regard this [the service learning programme of the firm] as an incentive, rather it's about the following: Leadership has always to do with establishing purpose or meaning. The fact that participants experience this [programme] as meaningful and enriching — far beyond the context of what you will do in the organisation the next day [...] — it allows for an extended understanding of and practice in the organisation. So far, I didn't see anyone who didn't react as human being; intentionally I say: As human. Not as a member of the organisation, as executive, or as another role, but as human being — and that's all about it. That's a holistic approach." (BOA1: 91, Corporate expert)

"If corporate volunteering has a learning dimension for the participant, then it is part of 'training'. If it, however, only is about 'I swept the street and demonstrated society that I, for example, can deal with disabled people' than it isn't part of the leadership framework." (SAD1: 135, Academic/NGO)

Table 53 **Statements on Service-Learning (Translated)**

Whilst professionals often acknowledge that executive service learning can be instrumental for developing a CR-oriented mindset, the actual *implementation* of service learning looks different. Only one company (C) maintains a *service-learning day* within their general management course. This day is used for a volunteering activity which aims at social impact in an organisation or community. This scheme is also applied in other training units in this firm.²³² Another company (B) piloted this type of service-learning as a component within a leadership seminar, but found that this would not fit to the firm's bottom-up approach for CCI.²³³

²³² BDE1: 87.

²³³ BDR1: 37.

One firms belonging to the pilot cases, also removed the service-learning component from leadership trainings, however, reasons were of different nature. In this case, the service learning component had been executed in community projects maintained by the firm's NGO partner. Groups of three middle management talents had been sent to work in community projects in order support the NGO projects and, at the same time, to develop social skills. The operative cooperation between the firm's representatives and the local NGO employees turned out to be more difficult than expected and the NGO neglected to, or failed to manage this type of on-site cooperation. The NGO also felt to be under surveillance by the firm and, thus, did not fully support this type of project.²³⁴

The limited implementation of service-learning is maybe related to what one HR executive named the “over-rationalisation of management”:

Personally, I think this [service-learning] makes sense. [...] To date, however, I see an opposite trend. The management is about to be rationalised. A manager is expected to conduct unemotional analyses, sometimes with social constraints. What is missing is to divert managerial conduct — once in a while — from making profits.” (BDI1: 60)

One representative criticises that service learning should not be mixed up with community involvement because it is predominantly a HR development exercise.²³⁵ Others state that service learning needs to follow a *bottom-up approach* and, hence, should be voluntary.²³⁶

In contrast to the companies belonging to the multi-case study, one interview with a professional service firm which was part of the initial expert study revealed that vertical development can indeed be integrated in formal development mechanisms. The head of HR development stated that his or her unit identified, beside others, sustainability and diversity as major challenges of the future and, thus, have aimed at providing leadership development programmes that properly prepare corporate leaders in this regard. Accordingly, the firm has established a leadership development programme with service-learning, coaching, and other introspective methods at the heart of it. From a pilot project “below the radar”, the programme has further developed to a flagship programme for the most potential talents on various levels in the hierarchy.²³⁷

13.2.5 Summary of Core Fields

The analysis of the four core fields of the RLS framework led to a broad landscape of leadership instruments summarised in the following Table 18. I use the field code to relate to each of the core fields: Interactive process (L1), metrics (L2), deployment (L3), and selection and development (L4).²³⁸

²³⁴ BPB1: 183.

²³⁵ BDE1: 85.

²³⁶ BDR1: 35; BDD1: 92; BDI1: 59.

²³⁷ BOA1.

²³⁸ The column categorisation presented by the column “subtype” reflects the structure of the empirical results (this chapter) and differs slightly from the categories used in the theoretical framework.

Field	Type of instrument	Subtype	Instruments derived from empirical data	
L1	Values and guidelines	Values statements	• (Brief) values statements; value definitions	
		Leadership models	• Leadership model with CR components/based on CR values	
	Business codes	Codes of conduct	• Code of conduct; code of leadership	
		Further codes	• UN Global Compact; social charter; sustainability/ environmental codes • Supplier's code of conduct; procurement contracts	
	Communication	Unidirectional	• CR report; annual report; top-management speeches (e.g., annual meeting)	
		Bidirectional: Formal stakeholder dialogue	• CR day; issues-specific dialogues (e.g., supply chain, sustainable mobility, biodiversity); neighbourhood dialogues	
	Goal setting and decision making	Organisational goals	• CR programme/roadmap; process of goal agreement (cross-functional bargaining)	
		Individual goals	• Discretionary part (ex-post/behavioural) in individual goal setting procedures	
		Decision-making templates	• Social & environmental impact assessment templates • Innovation checklists and stage-gate processes • CR-oriented risk-management	
	L2	Organisational metrics	Performance metrics	• Sustainable excellence KPI (average rating performance) • Utilisation of CR rating reports • Sustainable value approach (organisational & project-level) • Green innovativeness KPI • Supplier assessments & monitoring
CCI measurement			• LBG model; target evaluation; impact assessment through NGO partnership	
Perception measures			• Customer perception on CR; employee perception on CR; external stakeholder perception	
Strategic performance measurement tools		BSC	• Balanced scorecard; community-oriented SBSC • Integration of CR department in functional-level BSC	
		EFQM	• CR-oriented elements in EFQM in the area of production	
Individual performance evaluation		Values-oriented evaluation	• Deriving elements from culture surveys (values assessment) • Multi-dimensional performance evaluation including dimension of corporate values; 360 degree feedback	
L3		Monetary incentives and compensation	Incentive pay	• Components bound to health & safety, compliance, (environmental) efficiency; sustainable procurement
		Non-monetary incentives and rewards	Awards	• CR awards (overall CR; health & safety; diversity; innovation; bottom of the pyramid, employee community involvement) • Top-management meetings with element of CR (e.g., CR strategy workshop; dialogue forum with external stakeholders; CR award ceremony) • Employee community involvement programmes
			Broader recognition	• Attendance by superiors; employee magazine;
		Compliance	Compliance mechanisms	• Whistle blowing; external ombudsmen; compliance committees • Scope: Broad (all guidelines) vs. narrow (corruption)
L4	Selection of leaders	Recruiting	• CR-oriented interview questions	
		Induction	• "First-day" introductory (individual); regularly scheduled in-depth presentations on CR (groups)	
	Horizontal development	Skills frameworks	• Skills and competency frameworks	
		Policy training	• Training modules for new CR-oriented strategies; codes of conduct/compliance policies	
		Specialists training	• R&D: sustainable product development; procurement: CR in the supply chain; production/plants: safety, health & environment; marketing & sales: CR in product characteristics	
		Leadership development	• CR training modules for managers (internal/external/corporate university) or for all staff	
	Vertical development	Service learning	• Service learning days/secondments in social projects (e.g., with NGO)	
		Coaching	• Coaching & introspective methods	

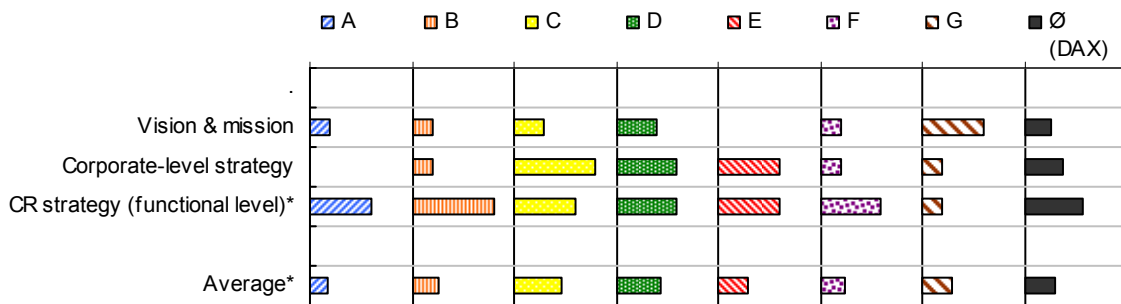
Table 54 RLS Toolbox (I) for the Core Fields of the Framework

13.3 Contextual Fields of Responsible Leadership Systems

In this section, I describe the findings in the contextual fields of the RLS framework. Each of the three fields (strategy, structure, and culture) is presented in the following subsections.

13.3.1 Strategy

The explicitly formulated strategies of corporations may include strategy documents and management programmes, as well as vision and mission statements. Some companies describe their strategies in dedicated form, whereas others rely on vision and mission statements (Figure 75). These results are further described in the following paragraphs.



* The scoring of “CR strategy” enters the overall and average scores only with a weight of 0.5 (=50%) because it does not necessarily influence corporate strategy

Figure 75 Formulated Strategies and CR Integration

13.3.1.1 Vision and Mission Statements

All but one of the companies have explicit visions and/or mission statements that they address through various communication channels. As presented in Table 55, about half of these companies, directly or indirectly, address CR.

Vision and Mission
<p>“Our goal is to operate a worldwide business that produces meaningful benefits for consumers, our market partners and our community. We strive to achieve positive recognition for our company within the community. Merck attaches particular importance to its responsibility for safety. We have an obligation to respect the environment. [...] All employees, male or female, have equal opportunities to develop their careers. [...] All of us make a personal contribution [...] through our mutual initiative, creativity and sense of responsibility.” (Merck KGaA, 2008)</p>
<p>“[O]ur idea is to strive for the optimum by making sustainability the guideline behind all our activities. [...] [W]e no longer refer to ourselves as a producer, but rather as a provider [...]. We consider potential future fields of action all types services relating to individual mobility.” (BMW, 2008a: 24–39)</p>
<p>“A world of proven top talents that achieve pioneering innovations, give our customer a unique competitive advantage, help societies master their greatest challenges, and create lasting and dependable values.” (Siemens, 2008: 12)</p>
<p>“Henkel is a leader with brands and technologies [emphasis from original] that make people’s lives easier, better and more beautiful.” (Henkel, 2008: 11)</p>
<p>“We will be the leading global gases and engineering group, admired for our people, who provide innovative solutions that make a difference to the world.” (Linde, [2007]: 16)</p>
<p>“Deutsche Telekom – a global leader in connected ‘life and work’. We mobilize personal, social and business networking.” (Deutsche Telekom, n.d.: 6)</p>

Table 55 Public Vision and Mission Statements and CR Linkages

The first example in the table above is the one which most detailed describe its various responsibilities like, for example, for safety and the environment. The second example is also interesting because the vision statement reflects the pressure for change of the automotive industry in regard to its business model. Through the vision statement, the firm paves the way for earnings which may not directly relate to automobiles anymore, but which could also be rendered through other (environmental friendlier) mobility services.

A large share of companies uses ambiguous meanings in their vision and mission statements. For example, “help societies master their greatest challenges”, “make a difference to the world”, or “make people’s lives [...] better” — even though having a “responsible” touch — could be a justification for virtually any business model or technology, whether positively or negatively contributing to CR.

Also noteworthy is the strategy followed in one of the pilot cases. This firm made a “four stakeholder approach” the explicit core of its strategy, which covers customers, employees, society, and shareholders.²³⁹ Its vision reads as follows:

“We will be the first in customers' minds to provide outstanding customer care through innovations created by talented, satisfied employees, while positively contributing to [...] society.”
(corporate disclosure)

Another interesting finding within one firm (albeit beyond the focus of this work) is the consideration of CR criteria within the process of due diligence²⁴⁰.

13.3.1.2 Formulated Strategies

I earlier identified four levels of strategies: Corporate, business, functional, and issues strategies. In the following I focus on *corporate-level strategies*, on the one hand, and *functional-level CR strategies*, on the other. As of the selected empirical approach which focuses on *corporate-level* experts and data sources, *business-level strategies* were not addressed. Still, the analysis of formal approaches to sustainable products and services can be regarded as proxy for business strategies. *Issues strategies* were also omitted because issues are more contingent on the industry (Money & Schepers, 2007: 9; Salzmann, Steger & Ionescu-Somers, 2008: 5f) and, thus, are difficult to compare in a cross-industry sample.

13.3.1.2.1 Corporate Level

Some of the companies formulate explicit strategies and also make CR or sustainability part of such. On the way to an integrated strategy, some firms (D, F) pass a CR policy first.²⁴¹ For example, in the year 2000, the board of one firm formulated the following paragraph:

“Sustainability develops to the central guidelines for economic and social prosperity and for the interaction between markets and democracy. Our firm will continue to consider sustainable development as guiding principle of its corporate strategy.” (translated from internal document)

²³⁹ BPB1: 11.

²⁴⁰ Data according to corporate disclosure (due diligence is a process for evaluation of target companies considered for mergers and acquisitions).

²⁴¹ BDG1; BDX1.

This kind of declaration of intent then, sometimes, finds itself coded into formulated strategies. One company, for example, recently published a strategy which focuses on financial performances targets, but simultaneously defines the following four value drivers: “People excellence”, “operational excellence”, “portfolio”, and “corporate responsibility”. The latter “corporate responsibility” covers the four key areas (good) corporate governance, compliance, climate protection, and corporate citizenship (Figure 76). As a consequence of being an explicit part of the strategy, the corporate responsibility area is also infused into other instruments of the leadership systems like, for example, the leadership development, which will be addressed in the dedicated chapters and sections.

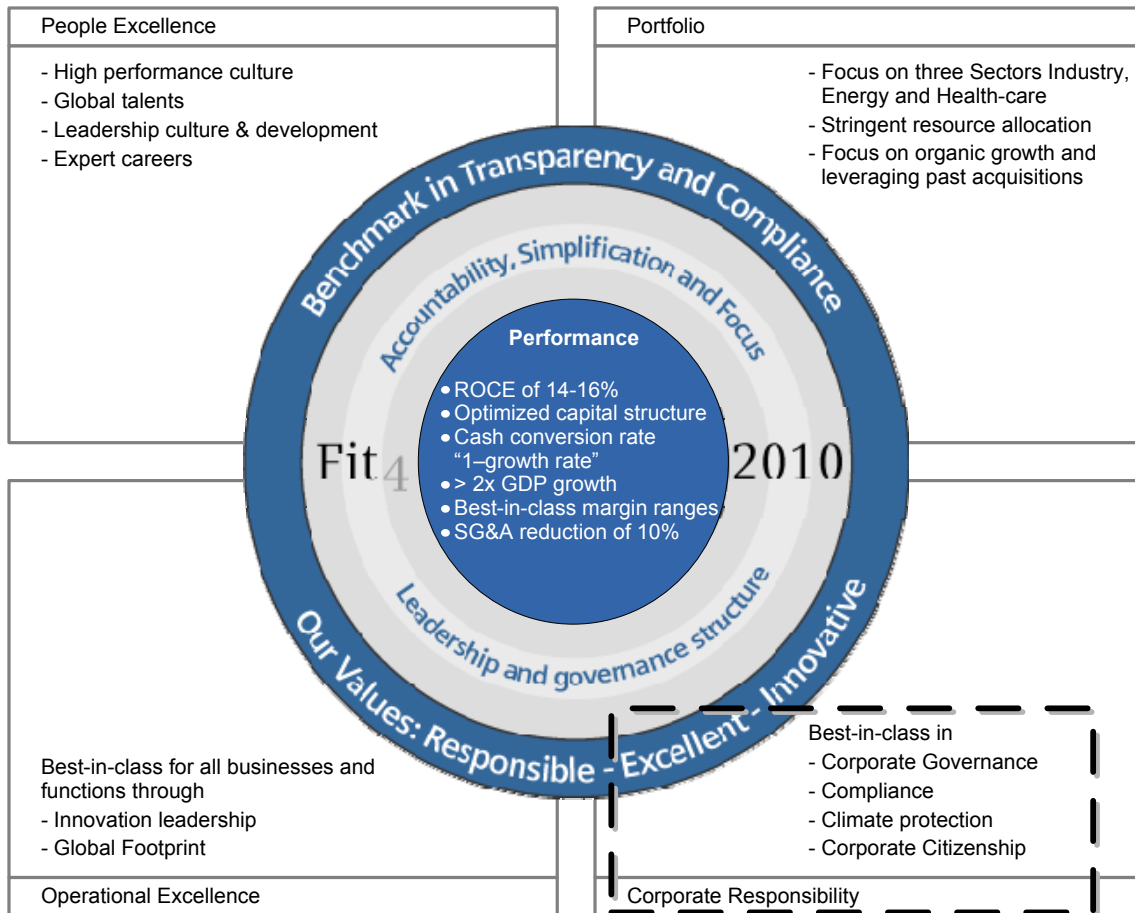


Figure 76 Corporate Strategy Referred to as “Fit₄ 2010”

Source: Based on Siemens (2008)

Both of the analysed auto manufacturers possess formulated medium-term strategies which pave the way for potential modifications of their current, partly environmentally challenged business models. For example, one of the automotive companies incorporates an element called “shaping the future” in their corporate strategy aiming at new mobility concepts, sustainable design (e.g. life-cycle analysis), and new vehicle concepts (Figure 77). The new strategy also includes principles of sustainability which will be addressed within a later section. The other automotive firm, based on techniques like scenario planning and

environmental radar, addresses similar issues within a long-term strategy.²⁴² Thus, the solution space of these car manufacturers — at least potentially — opens towards mobility beyond (currently known concepts of) cars.

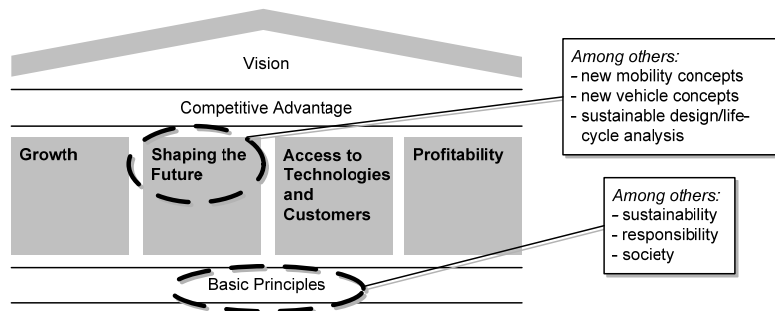


Figure 77 Corporate Strategy Framed as “House of Strategy”

Source: Based on BMW (2008a: 27)

As explained in the chapter 6 (“six stages of CR”), a good measure for the strategy stage of a firm is to analyse its ambitions for making CR a guideline for *product and services portfolio*. Integrating CR into the product and services portfolio means that the firm does not only care for responsible business conduct, but also for delivering responsible products and services to their customers. The following Table 56 gives a first glimpse on (functional-level) portfolio strategies with regard to CR.

Portfolio and Product Strategies
<p>“We [...] plan to promote innovations which help us to sever the link between energy consumption and CO₂ emissions. Our goal is to develop new products and services that have the least impact on the environment. [...] By developing sustainable products and services, Deutsche Telekom also gets the chance to tap into new customer segments and make itself stand out from competitors. Increased R&D [research and development] therefore constitutes a key part of our corporate responsibility strategy.” (Deutsche Telekom, 2008: 11, 32)</p>
<p>“The requirements of corporate social responsibility are incorporated into our research and product development activities from the very start. The focus is on novel product concepts that combine excellent performance and improved environmental compatibility, while also providing customers and consumers with tangible added value.” (Henkel, 2008: 13)</p>
<p>“Climate and environmental protection form important and valuable opportunities for our company and our stakeholders. With the Siemens environmental portfolio of energy-efficient products and solutions, renewable energy solutions, and environmental technologies, we can help customers to reduce their CO₂-footprint as well as lifecycle costs. Additionally we can leverage this portfolio to strengthen our presence in future markets with outstanding potential for growth.” (Siemens, 2008: 31)</p>
<p>“As a world-leading industrial gases and engineering company with far-reaching technical expertise, Linde is ideally positioned to make a valuable contribution to environmental protection efforts. Synergising our gases and engineering know-how, we deliver a broad range of products and processes to capture renewable energies cost-effectively, dramatically cut consumption of natural resources and help reduce or even eliminate harmful emissions and waste levels. We group our processes and pilot projects in this area under the umbrella of ‘Clean Technologies’.” (Linde, 2008: 20)</p>

Table 56 Corporate Disclosure on Portfolio and Product Strategies Linked to CR

²⁴² Further information withdrawn due to reasons of anonymity.

Most of the sample firms are currently getting the first experiences with this way of thinking about portfolios. They make some of their divisions or series *carbon-neutral*, *energy-efficient*, or, in a business to business context, they involve in the development of *green technologies*. More specific, regarding the four industry sectors covered in the present study, the following strategies are pursued: Automotive firms engage in *sustainable mobility* concepts; industrial firms develop *renewable energy technologies* like wind and solar; telecommunication firms engage in *low-carbon society* with services like, for example, virtual meetings; and chemical firms engage in technologies related to the *solar industry* and *CO₂ processing*. The division of one firm (C) also engages in bottom-of-the-pyramid markets in order to develop and deliver products and solutions for markets in developing nations.²⁴³ However, most of these approaches are less driven by planned, formal approaches. With two exceptions: One firm (B) made progress in CR by making it a mandatory criterion for *all* new products and technologies. More specific, the firm defined focus areas of CR (energy and climate; water; health and safety; materials and waste; and social progress) and requires new products to advance at least one of these areas.²⁴⁴

Whilst the example above addresses the entire portfolio, another firm (C) considers a selected share of the overall portfolio. This firm published an “*environmental portfolio*” which represents a cross section of the firm’s overall portfolio.²⁴⁵ As presented in Table 57, technologies from the area of renewable energy, environmental technology, and energy-efficiency qualify for the portfolio.

	Environmental Portfolio		
Type of Technology	Renewables	Environmental technology	Energy efficiency
Criteria	<ul style="list-style-type: none"> All renewables qualify 	<ul style="list-style-type: none"> All environmental technology qualifies 	<ul style="list-style-type: none"> Product/ solutions with exceptional energy efficiency characteristics qualify
Examples	<ul style="list-style-type: none"> Wind power Grid access for wind power Steam turbines for solar thermal power 	<ul style="list-style-type: none"> Water technologies Air pollution control 	<ul style="list-style-type: none"> Combined-cycle power plants High Voltage Direct Current power transmission Efficient lighting
Goals (2007-2011)	<ul style="list-style-type: none"> ~50% revenue growth ~141% increase of carbon savings at customers' site 		

Table 57 Environmental Portfolio of Sample Firm

Source: Corporate disclosure

The environmental portfolio illustrated above is a basis for further leadership instruments like communication and target setting, which will be discussed later on. Another firm (F) uses a comparable approach to categorise technologies according to environmental criteria, however, it applies this procedure only for assessing the innovation processes and not as a tool for portfolio management (cf. 13.2.2.1).

²⁴³ BDE2: 11.

²⁴⁴ BDR1: 7.

²⁴⁵ BDE1: 45-47.

13.3.1.2.2 Functional Level CR Strategy

The theoretical framework led to the insight that functional strategies are linked to vision, mission, corporate strategy, and values and that it describes the focus areas and related goals. I also showed that a formulated CR strategy is required by the GRI reporting standard, but often remains on a semi-structured or unstructured level in practice.

The examined firms in the present study revealed comparable insights: Only one firm (A) incorporated a dedicated and formulated CR strategy in a separate document. During the time of the data analysis, this strategy was, however, already outdated. Two other firms (B, E) have very brief policy documents using terms like “sustainability model” or “sustainability principles”, which I regard as predecessors of a CR strategy. The general approach to “formulate” a CR strategy seems to be the first section of the CR report, usually termed “strategy and management”, “leadership and values“, or “sustainability management”. By following this approach, I apply a broader, rather open understanding of a “CR strategy”. An (inductive) analysis of these latter sections in the CR reports reveals that, in line with theory, firms describe their CR strategies with links to corporate values and visions. As part of these formulated strategies, firms highlight their responsibilities over products and services, define focal areas, and describe various instruments and tools helpful for strategy implementation (e.g., business codes, stakeholder dialogue, CR goals, and organisational structures). Table 58 summarises these findings.

Elements of CR strategy	Company							
	A	B	C	D	E	F	G	Σ
<i>Type of CSR strategy:</i>								
- CSR policy				+		+		
- Dedicated CSR strategy	(+)				(+)			
- CSR strategy as derived from "Strategy & Management" section of CSR report	+	+	+	+	+	+	+	
<i>Derived from/linked to:</i>								
- Corporate values	+	+	+		+	(+)	(+)	6
- Vision/mission	+	+			+	(+)	(+)	5
- Corporate strategy			+				(+)	2
<i>Aspects covered:</i>								
- Sustainable products/services	+	+	(+)	+	+	+		6
- CSR focal areas	+	+	+	+		+		5
- Business codes	+		+		+		(+)	4
- Stakeholder dialogue			+	+		(+)	(+)	4
- CSR reporting	+		+			(+)		3
- CSR goals	+		+			+		3
- Compliance management	+		+		+			3
- Organisational structure of CSR	+			+	+			3

Table 58 CR Strategies on Functional Level

Source: Corporate disclosure and interview data²⁴⁶

²⁴⁶ BDG1: 31; BDC1: 30; BDK2: 39.

13.3.1.2.3 Comparison of Strategy Types

The above insights into (functional-level) CR strategies allow for a direct comparison with strategies on the *corporate-level* described before. In the following Figure 78, I map both corporate strategy and (functional) CR strategy to the six stages of CR introduced in chapter 6.

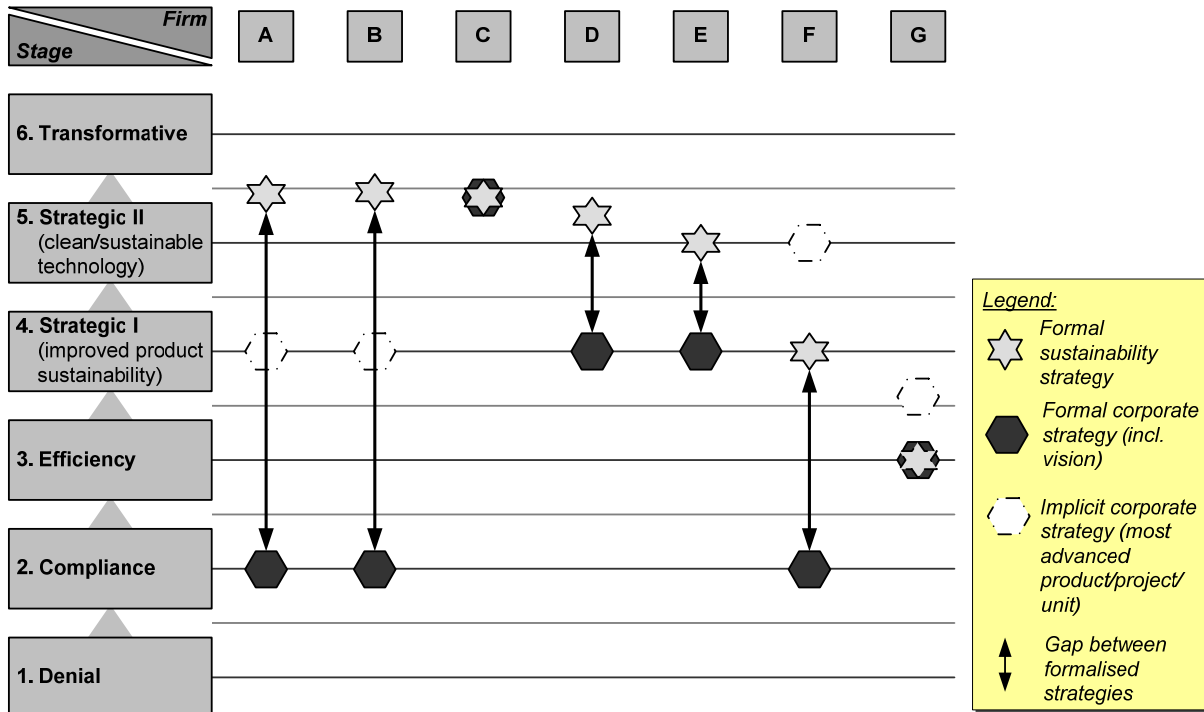


Figure 78 Comparison of CR Integration in Formal Strategies on Corporate and Functional Level

The comparison of corporate-level strategies with CR strategies reveals a significant gap between both types. Only for two firms (C, G) corporate-level and functional-level strategies are consistent (i.e., they overlap in the figure). Company C's strategies are integrated on a high level in the way that corporate strategy embeds the CR strategy. Together these strategies draw a clear path towards clean technologies. Firm G remains in both strategy types rather vague and, thus, both overlap on a quite low CR stage. Overall, the above picture suggests that corporate-level strategies are less predictive for the extent of the overall RLS than it is the case for functional CR strategies.

13.3.2 Structure

In the analysis of the contextual field "structure", I focused on all types of *organisational structures* relevant for the promotion of CR. Figure 79 gives an overview of the situation in the seven cases.



Figure 79 Detailed Results in the Context Field “Structure”

The above chart indicates that CR-oriented organisational structures are widely spread throughout almost all analysed companies. Virtually all firms deploy CR units, committees, and compliance structures, and appoint the board with particular responsibility for CR. Still, there exist variations which are described in the following paragraph.

13.3.2.1 Main Organisational Structures

Concerning CR, the most important organisational structures are CR departments and CR committees. Also, stakeholder advisory boards and issues-specific structures play a role in the DAX firms. These CR-related structures lead to four generic organisational designs, which I call “decentralised”, “coordinated”, “hybrid”, and “stakeholder-integrated” (Figure 80).

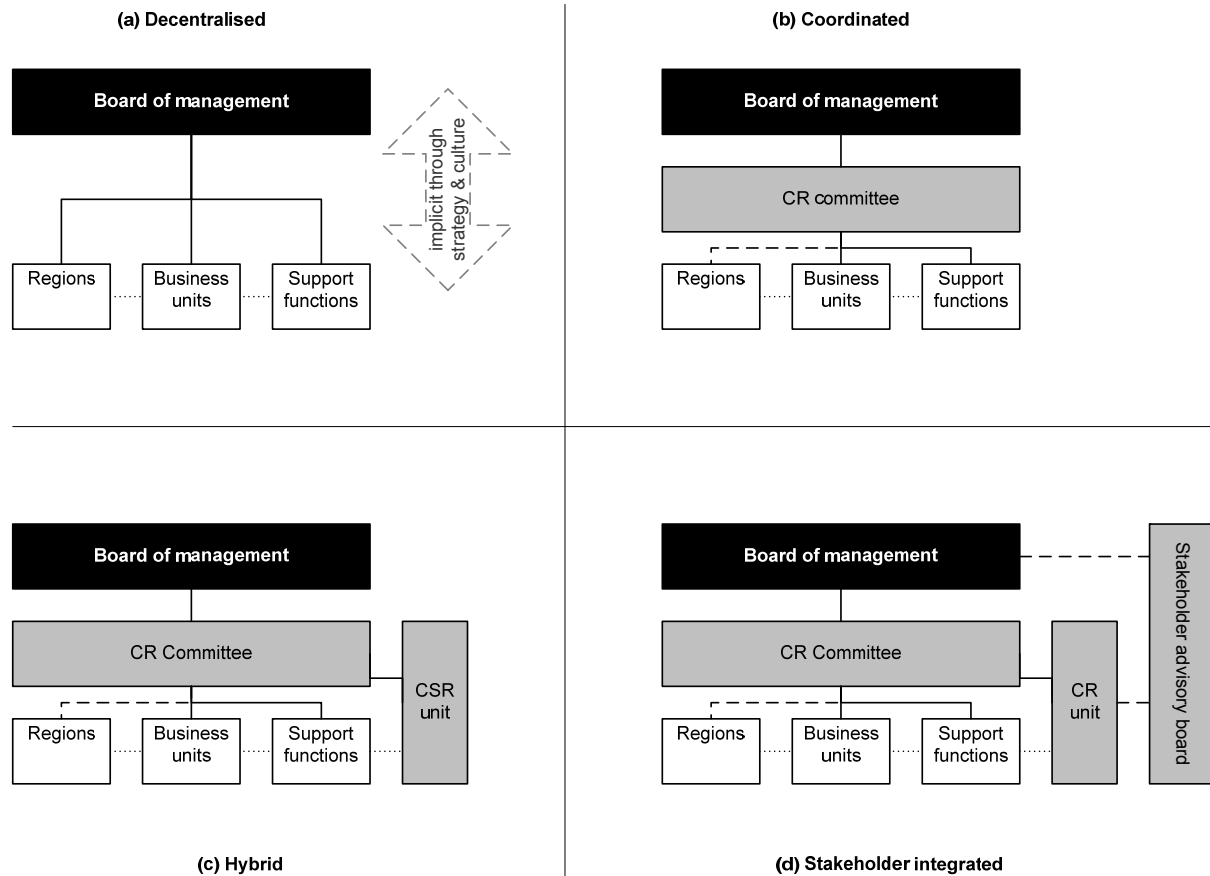


Figure 80 Generic Organisational Designs for CR

CR Department

Usually, the core organisational structure for CR is the *CR department*. In the majority of the firms (A, C, E, F, G), this department is a subunit of corporate communications.²⁴⁷ One firm (D) made the CR department report to corporate strategy²⁴⁸. Regarding the *composition of the CR unit*, a large spectrum exists within analysed firms; size and internal structure of the department are main denominators. The smallest unit in the sample commands only one part-time officer. The largest unit (firm A), as presented in Figure 81, covers 16 employees (staff and management).²⁴⁹ One representative of this latter company even reported about plans to extend the department.

²⁴⁷ BDE1: 3; BDF1: 15; BDK2: 100; BDD1: 19.

²⁴⁸ BDX1: 47, 76.

²⁴⁹ BDK2: 75.

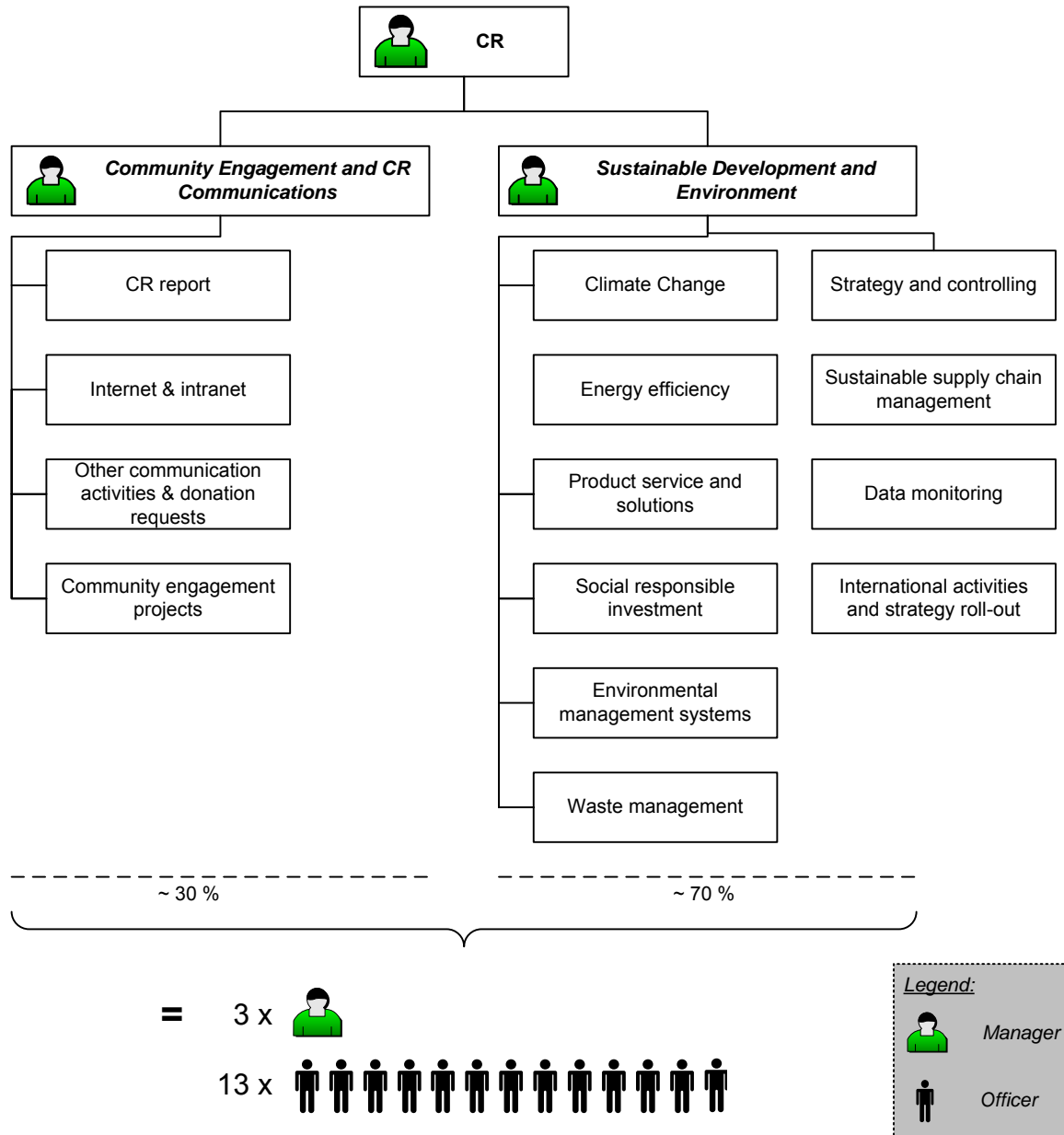


Figure 81 Structure of the Largest CR Department

Source: Interview data and internal documents

The department structure above demonstrates that the expertise joint within the CR department actually represents a “micro cosmos” of the entire firm. Communication, product development, supply chain, environmental management, and climate protection all represent aspects also dealt with by dedicated departments. In contrast, another company (D) takes a much more *decentralised* approach. There, the “CR department” is rather the department for environmental protection. In order to cover the full spectrum of CR, it collaborates with the other functions like HR and communication, but also with local sites.²⁵⁰

²⁵⁰ BDX1: 11, 75-79.

Cross-functional and Cross-Boundary Collaboration

Beyond a central CR department, CR also requires cross-functional and cross-business collaboration. In this sense, the *CR committee or council* plays a major role to organise CR, as the situation in five of the seven DAX firms reveals. A committee is a platform to nurture dialogue about CR within the company and, depending on the committee's composition, to allow for joint decision-making. The composition consists of representatives from different corporate functions. Regarding *committee composition*, major differences exist in two dimensions: First, the (fixed) composition in regard to support functions and business units determines the level of business integration. Second, the composition in reference to the hierarchical level influences the *decision-making power*. The analysis concerning these two dimensions is depicted in Figure 82.

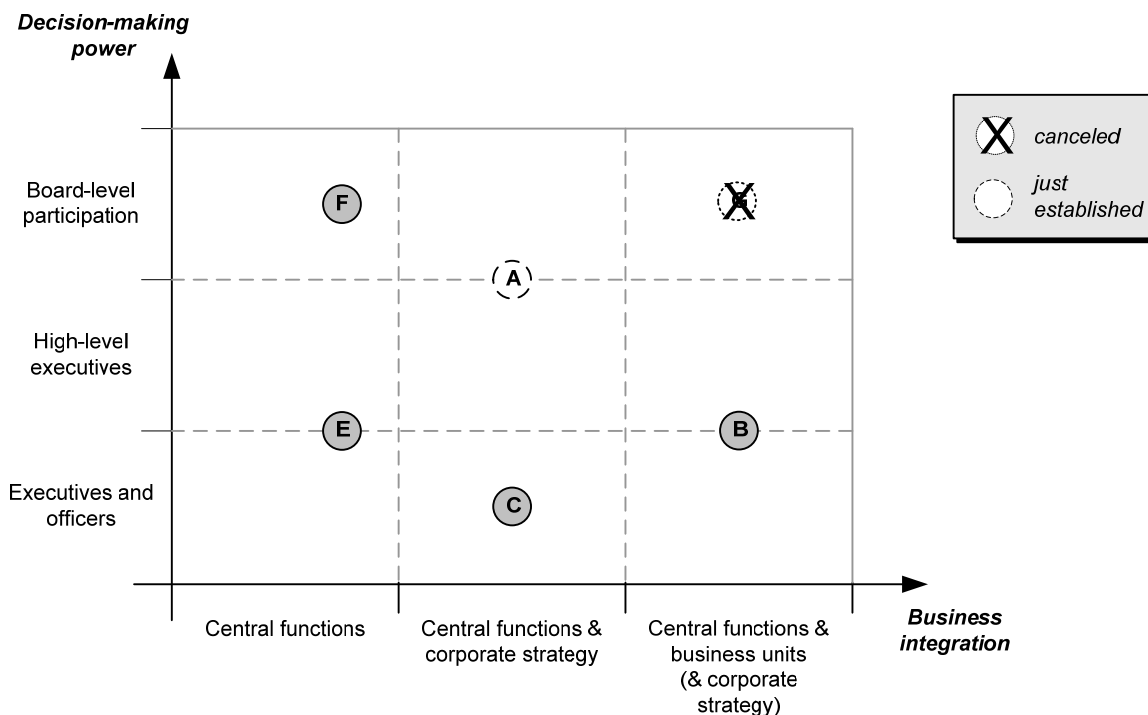


Figure 82 CR Committees in Regard to Business Orientation and Decision-making Capacity

As illustrated above, the majority of companies (A, B, C, E, F) possess a CR committee.²⁵¹ Two companies (D, G) remain without a CR committee, thereof one company (G) only recently cancelled it.²⁵² Concerning the *composition of the committee*, I find a trend towards greater *business integration*: The committee of firm B includes business unit representatives; A and C include the corporate strategy function; the remaining two committees (F and E) consist only of central functions (without corporate strategy) by default, but they state, like all others, that additional functions would be included on demand.²⁵³

²⁵¹ BDK2: 60-67.

²⁵² BDF1: 8.

²⁵³ BDK2: 61; BDG1: 39-46; BDE1: 49-53;

Regarding *decision-making power*, the interviews revealed that board-level participation allows for approval of decisions already within the committee. In one company (F), this is the CEO himself. In another one (A), it is the board representative.²⁵⁴ The work of a committee is further influenced by the meeting and working schedule. Most committees meet on semi-annual basis. One of the committees (A) meets every six to eight weeks.²⁵⁵ In addition to committees, some of the firms deploy *CR working groups* for specific issues and projects. These bodies work on CR tasks in a more operational way and then report back to the committee.²⁵⁶

Beyond the widely established CR committees, other collaborative structures help to drive CR through business, which I have referred to as “*cross-boundary collaboration*”. Only one company (A) engages in this area. The company lately began to leverage a semi-formal structure referred to as “*one-to-one talks*” in order to foster cross-functional collaboration. The idea of this arrangement is that the CR department sits together with one other central function at a time in order to evaluate in how far both functions could support each other in reaching their functional goals. For example, a one-to-one talk with the HR function elaborates both in how far CR could support the HR strategy and how HR could support the CR strategy.²⁵⁷ In this way, the CR function makes itself useful for the overall business, or, in other words, interweaves itself with the other functions.

This same company (A), which just established a committee, is also thinking about an additional *stakeholder advisory board*. This stakeholder body then consists of a number of external stakeholders which are invited by the firm. This group is supposed to discuss CR issues as well as to make recommendations (from the external stakeholder perspective) to the CR committee and directly to the executive board (Figure 83).²⁵⁸

²⁵⁴ BDG1: 39-46; BDK2: 61.

²⁵⁵ Corporate disclosure; also: BDK2: 67.

²⁵⁶ BDK2: 65; BDE1: 49.

²⁵⁷ The original German term is “Eins-zu-eins Gespräche” (BDK2: 109).

²⁵⁸ BDK2: 67.

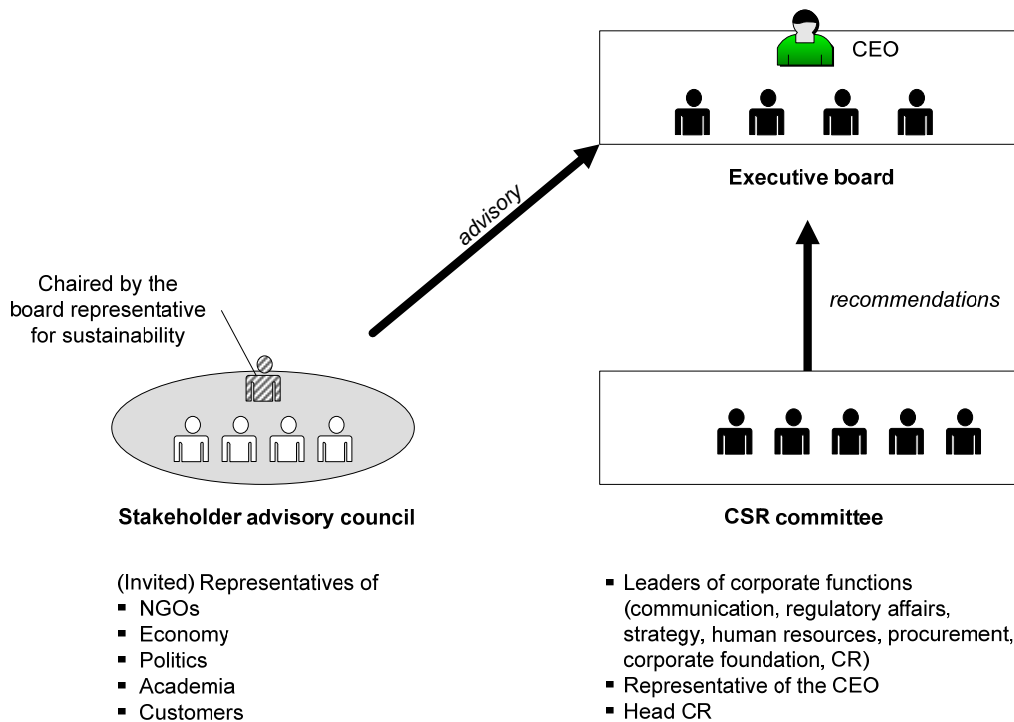


Figure 83 Planned Stakeholder Advisory Board with Linkages to the Executive Board and CR Committee

Board-Level Responsibility and Link to Strategy

I also considered the hierarchical responsibility for CR in the analysis, here called the *board-level responsibility*. Several companies (A, C, E) stated that the *CEO* himself is in charge. Firm A additionally appointed a dedicated position called “board representative”. Two companies (B, F, G) appoint hierarchical responsibility for CR to the *entire board*. As described earlier, in company F, the CEO and another board member are also part of the CR committee and, thus, take over dedicated responsibility within this body. Company D, which is organised in rather decentralised fashion, states that the board member “closest” to the issue is in charge (e.g., the HR board member is responsible for HR-related issues of CR).²⁵⁹

Another criterion for judging the business integration of CR is the existence and nature of *organisational links between CR bodies and corporate strategy*. As already mentioned above, this may be achieved through the involvement of the corporate strategy unit in the CR committee. Other solutions also exist. For example, in one company (D) the CR manager (i.e., in this case, the head of the department of sustainability and environmental protection) is part of the corporate strategy unit.²⁶⁰ Connections between both units may also exist (despite less in the sense of formal organisational structures) when CR is an explicit part within the formulated corporate strategy or management programme.²⁶¹ In this case, strategists and CR staff necessarily need to interact.

²⁵⁹ BDX1: 86. BDD1: 19; also: Corporate disclosure.

²⁶⁰ BDX1: 23.

²⁶¹ BDE1: 43.

13.3.2.2 Additional Organisational Structures

The analysis also revealed that in parallel to CR structures, firms also (recently) implemented extended *compliance structures* which go beyond traditional legal or compliance departments. At least two of the firms (C, F) are currently expanding these structures.²⁶² The recent activities within this area are also related to ethical crises within some of the DAX firms. Two major developments are recognised. First, most firms (A, C, D, E, F) deploy *compliance committees* which, similar to CR committees, consist of representatives from various corporate functions, especially legal, compliance, internal audit, and human resources. These compliance committees are usually directly linked to *whistle blowing systems* (cf. paragraph 13.2.3.3): The committee's task is to evaluate compliance cases received through the whistle blowing system. Second, some of the firms (C, F) established, or work on *global compliance structures* aiming at more consistent standards, more effective control, and better reporting in regard to the decentralised units.²⁶³ In addition to committees and global structures, some of the firms (A, B, C) newly appoint a *chief compliance officer* to take control over these structures. Additionally, one company (C) appointed an executive board member with clear responsibility for legal and compliance issues.²⁶⁴

Though not operative yet, one firm is currently in the process of reorganising the entire CR and compliance organisation. The current amount of about 170 compliance officers worldwide is planned to be multiplied by a factor of three to four in order to assure a higher compliance degree and global coverage. The understanding of compliance transcends narrower aspects of corruption prevention and also addresses safety and environmental issues. Based on this scope, the firm currently thinks about using this global compliance structure to also address CR on a global level. This could be done by assigning one of the compliance officers in each local unit with responsibility for CR. In this way, the firm would possess a unique CR structure regarding global reach.

Some of the companies establish other, rather *issue-specific organisational structures*. One of the companies (A) established a *sustainable procurement working group* consisting of representatives from the CR department, corporate procurement, and the procurement departments of the business units. This group discusses how to make sustainability an integral part of corporate procurement and prepares related decisions.²⁶⁵ Company B provides a similar structure. Company D established a *CO₂ steering committee*, a structure which is also planned by one other company (A).

13.3.3 Culture

According to preliminary theory, the contextual field “culture” addresses, one the one hand, semi-formal myths, stories, and rites and, on the other hand, rather implicit values, beliefs, and behaviours. The assessment of “culture” requires multi-method approaches, including interviews with organisational members, informal observations, ethnographies, and

²⁶² BDE1: 26; BDG1: 53.

²⁶³ BDE1: 24; BDG1: 53.

²⁶⁴ Corporate disclosure; also: BDE1: 22.

²⁶⁵ BDG2: 45.

quantitative surveys (Sackmann, 2006a: 87, 114). As data collection in this thesis is limited to selected interviews with managers of selected corporate functions (mostly CR and HR), it is obvious that culture could not be evaluated in a large scope. I, thus, limited the interviews to elevate a very superficial understanding of the linkages between culture and CR. For these reasons, the contextual factor “culture” is not considered in the comparative evaluation of the case studies. Still, some of the results may be interesting.

When asked about culture concerning CR, firm representatives mainly refer to two aspects: First, they refer to *history of the corporation* and see the past social and environmental engagement as a sign for the existence of a “responsible culture”. Second, they also refer to the *company’s founder* who was often recognised for his or her social achievements concerning workers and the society at large.²⁶⁶ One of the firms, partly family-owned, also refers to the involvement of *present family members*’ as a source of responsible culture.²⁶⁷

Corporate Culture

“Generally, much of our history and its related culture supports corporate responsibility and sustainability. When you look at [...] our company, especially the founder and family members in management positions, and look at what they regarded as ‘doing business right’, then you see things which are today covered by CR; for example, provision of medical care, employee housing, occupational social security, and improvement of working conditions. These are all issues which, in the past century, were far beyond standard.” (BDE1: 61, DAX)

“Firm [X] is a unique company. We have a very strong staff, which is also related to our ownership structure and history. Thus, ever since our company was strongly values-based, which is why social responsibility plays such an important role. This was already part of the founding documents. Then, later, this also applied to the environment. We had of course ups and downs [...]. But these are issues which grew through the culture. And, as I believe, this is our core asset [...].” (BDD1: 94, DAX)

“On the one hand, there is the recent discussion on CR and, on the other hand, the rather traditional discussion on corporate culture. Now, we could say that the CR discussion is not yet directly incorporated in our leadership guidelines and related things. We could, however, also say that this isn’t required because we already have the latter [culture].” (BDD1: 9, DAX)

“I think that our culture is supportive for CR because it already incorporates that making money is not an isolated matter, but is related to the societal context in which it happens. [...] Much of this is rooted in the culture of the family-owned business and, maybe, also in the way how the family is still involved today, is visiting companies and subsidiaries, and in what the family gives credits to.” (BDF1: 22, DAX)

“High performance culture and CR are not contradictory! One could [artificially] create a contradiction. But high performance culture doesn’t mean maximizing shareholder return, but rather striving for balance.” (BPB1: 46, Pilot study)

“Culture is renewed on a regular basis and topics like fairness etc. are already incorporated. Every employee is told at the beginning of his or her job: ‘We want to act fair.’” (BPA2: 8, Pilot study)

“Culture is the biggest driver for all activities.” (BPA1: 49, Pilot study)

Table 59 Statements about Corporate Culture and CR (Translated)

13.3.4 Summary of Contextual Fields

The analysis of the contextual fields of the RLS framework led to a broad landscape of instruments and structures. I summarise these in the following Table 60 representing the second part of the *RLS toolbox* (cf. Table 54 on p. 197 for the RLS toolbox I). Thereby, I

²⁶⁶ BDE1: 61; BDD1: 94.

²⁶⁷ BDF1: 22.

focus on the fields of *strategy* and *structure*. The contextual field of culture was not at the core of the empirical analysis and, hence, is not included in the toolbox.

Field	Type of instrument	Subtype	Instruments derived from empirical data
Strategy (C1)	Vision and mission	Vision and mission statements	<ul style="list-style-type: none"> • Four-stakeholder approach; addressing specific CR issues • Indicating business model transformation
	Formulated strategies	Corporate/business level	<ul style="list-style-type: none"> • <i>CR policy</i> by executive board (as preparation) • CR component in <i>formal corporate strategy</i> (e.g., carbon strategy) • Component to initiate CR-oriented business transformation/business model innovation (e.g., new mobility concepts for car manufacturer) • Include CR goals in <i>management programmes</i> • <i>Experiments with new markets and technologies</i> (ethical consumers; renewable energies; environmental technologies; base of the pyramid markets) • Formal <i>environmental/sustainability portfolio</i> to nurture sustainability-oriented products/technologies • Recognition of CR in <i>process of due diligence</i>
		Functional level ("CR strategy")	<ul style="list-style-type: none"> • <i>Sustainability model; sustainability principles</i> • <i>Dedicated CR strategy documents</i> • Strategy and management section of CR report
Structure (C2)	Main organisational structures	Board-level responsibility	<ul style="list-style-type: none"> • Overall responsibility by CEO; selected board member(s); overall board; • Dedicated board representative for CR • Participation of CEO/board members in committee
		CR department	<ul style="list-style-type: none"> • Centralised (large CR unit possesses own capabilities, e.g., CR-oriented product development) • Decentralised (light CR unit only as coordinator of e.g., environmental/HR functions)
		CR committees	<ul style="list-style-type: none"> • Cross-functional/cross-business <i>committees</i> • Participation of function and business heads • Participation of high-level executives (CEO/board member)
		Other cross-boundary collaboration	<ul style="list-style-type: none"> • Internal <i>one-to-one talks</i> (promote win-win collaboration between CR and other functions/units) • <i>Stakeholder advisory boards</i> (advising executive board)
		CR link to strategy	<ul style="list-style-type: none"> • CR component in formulated corporate strategy • Strategy officer as member of the CR committee • CR unit reports (i.e. belongs) to corporate strategy
		Additional structures	Compliance structures
		Issues-specific structures	<ul style="list-style-type: none"> • Sustainable procurement working group • Carbon management structures

Table 60 RLS Toolbox (II) for the Contextual Fields of the RLS Framework

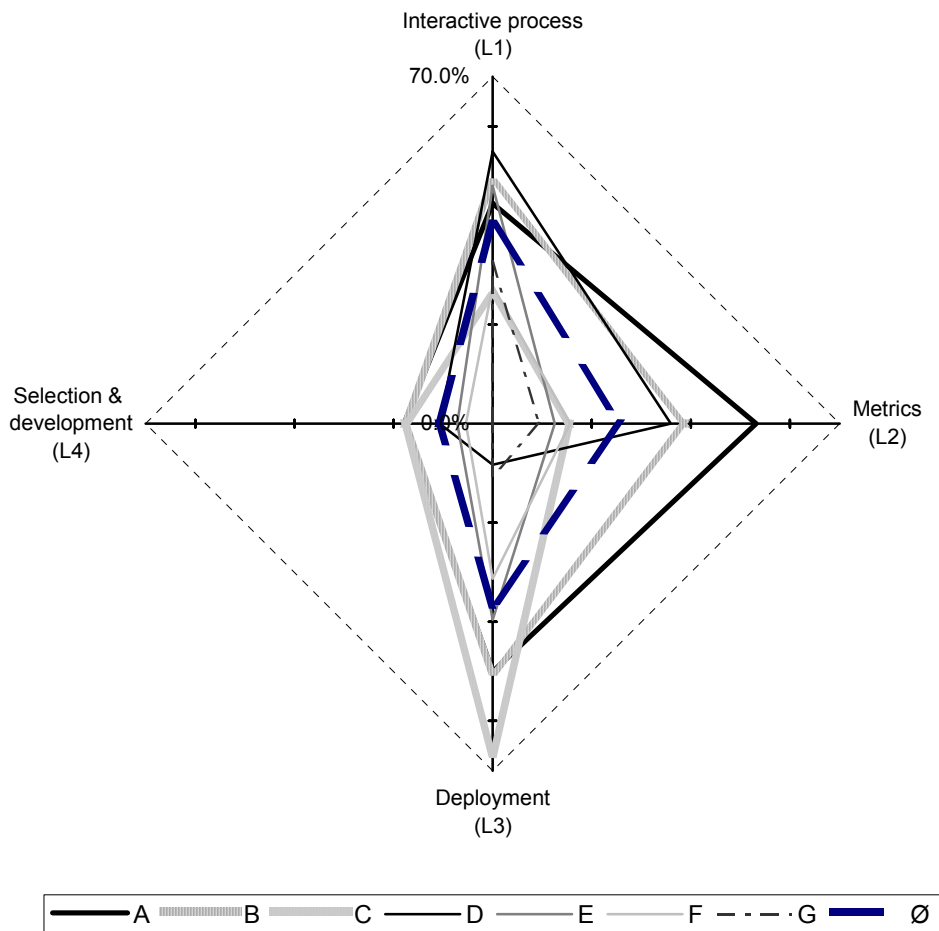
13.4 Overall Responsible Leadership Systems

The above sections described the findings within each field of the RLS framework. In this section, I turn to findings addressing the framework in its entirety. This unfolds in five subsections. *First*, I specifically look at the relationships within the core fields. *Second*, I analyse the relation of the contextual fields with the core fields. *Third*, I analyse the relationship between overall responsible leadership systems and CR performance. *Fourth*, I give insight into how firms develop towards responsible leadership systems. I finish this section with an overview of emerging trends.

13.4.1 Interdependencies Between the Core Fields

I now proceed to the analysis of interdependencies between the core fields of the RLS framework. As the initial analysis already indicated, the four fields are rather different regarding the degree of CR integration. The following Figure 84 shows two charts: First, the radar chart shows the characteristics of each firm according to the four core fields (average across all firms of the sample also included). Second, the bar chart focuses on the sample average.

Integration of CR in leadership instruments according to the four core fields



CR integration and the four core fields (sample average)

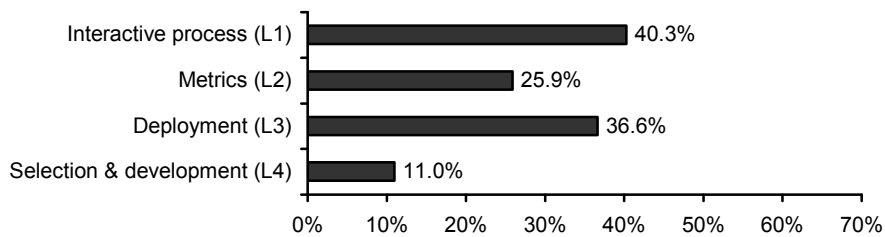


Figure 84 Characteristics of the Four Core Fields of the Responsible Leadership Systems Framework

The charts above show that the highest integration of CR is achieved in leadership instruments of the interactive process (L1) field. A less, but still comparable degree of CR integration is achieved in the deployment (L3) field. Metrics (L2) are significantly behind and selection and development (L4) show very low integration.

In the following, I give a further view on data by grouping the four fields into two sets:

- The first set includes the leadership instruments of the fields of *interactive process* (e.g., general guidelines, codes, communication, and goal setting) and *selection and development* (e.g., formal selection and development programmes). All these instruments have a strong future orientation and are often not binding. I refer to them here as “develop & guide”.
- The other two fields — *metrics* and *deployment* — cover instruments for evaluating; measuring; incentivising and rewarding people with regard to CR. These instruments have a stronger performance orientation. We refer to this group as “measure and sanction”.

In the following chart (Figure 85), I contrast these two groups through two separate dimensions. Thereby, I apply relative scales ranging from low to high.

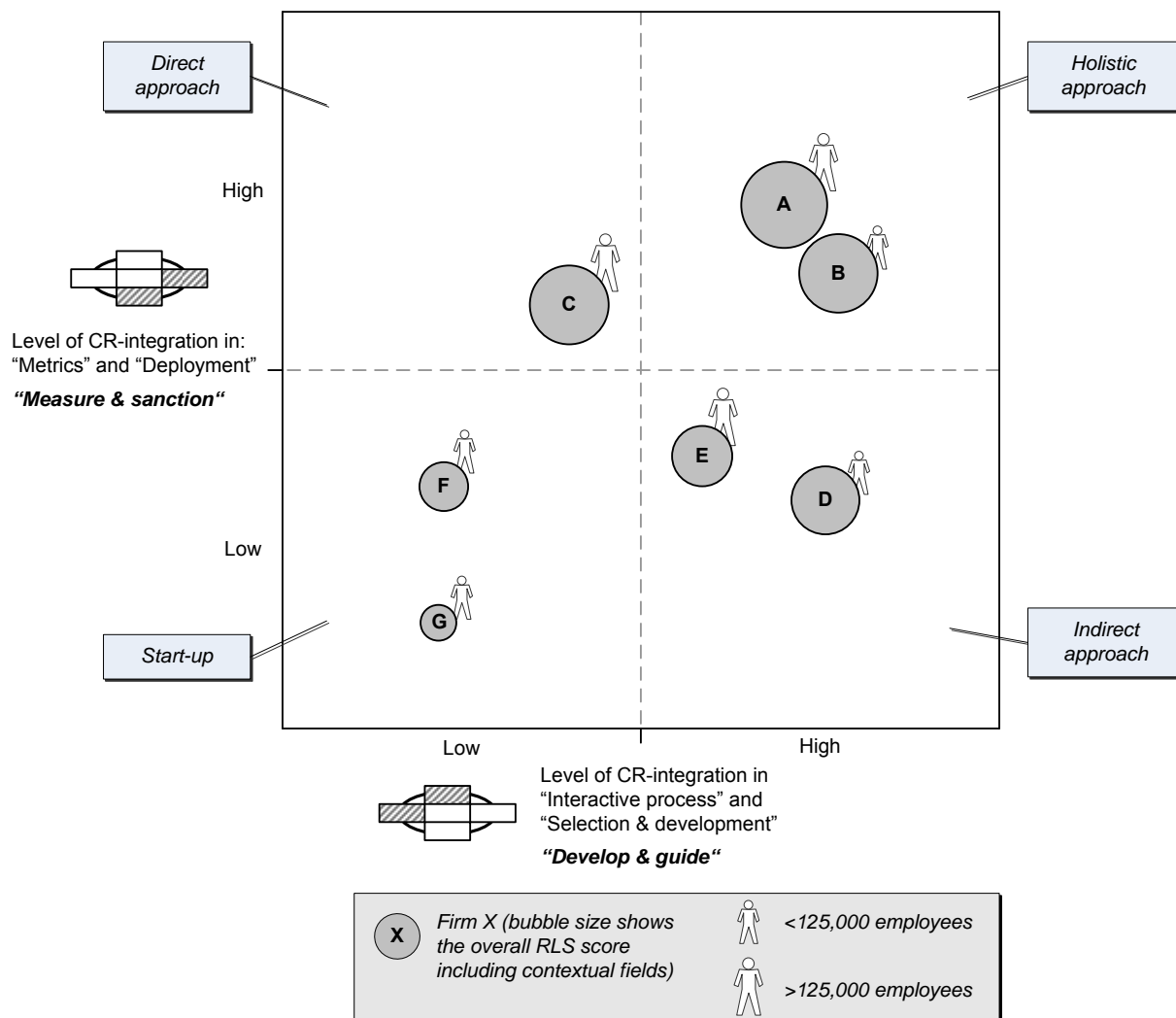


Figure 85 A Typology of the Core Fields of Responsible Leadership Systems

Overall, more than half of the firms achieve a *high* integration within the area of “develop & guide”, whereas concerning the other area, “measure & sanction”, more than half of the companies remain with *low* integration. More specific, the above portfolio allows to differentiate *four approaches of companies*:

- *Start-up*. A small share of the firms are rather defensive or at the very beginning concerning responsible leadership systems. They have a low integration of CR in both areas.
- *Indirect approach*. These firms engage more strongly in the area *develop & guide*, whilst scoring low in the other area of *measure & sanction*. Three possible reasons are possible: (1) Companies choose a values-based approach to RLS where they rather influence people through development programmes and guidelines. (2) Companies may also be in an early phase of setting up a RLS which is then to be complemented by instruments of the area *measure & sanction*. (3) Another category of companies may follow a strategy of “greenwashing” in which values and guidelines are rather rhetoric without changes being made in the other parts of system.
- *Direct approach*. Firms in this quadrant have a rather low investment in the area *develop & guide* (i.e., their level of ambition as well their internal and external commitment is limited). At the same time, however, they are quite strong in the area *measure & sanction*. Different reasons exist for this approach: Either, companies choose a defensive approach in a way that they do not want to communicate too much about CR (like it is necessary using values statements, goal systems, etc.), or companies may have developed their RLS in a haste, not having had time enough to build the foundation represented by the area “develop & guide”.
- *Holistic approach*. Drivers score high in both described areas. They believe in a leadership approach to CR and actively promote its integration in all four core fields.

The presented portfolio clarifies one more aspect: The *firm size* (represented by the number of employees) is somehow related to the scores (i.e. strength) of the RLS, however, exceptions show that also smaller companies can reach top positions.

13.4.2 The Relation between Contextual Fields and Core Fields

I now turn to the question whether and how the contextual fields influence the core fields of the leadership system. In the following Figure 86, the horizontal axis represents the contextual field “structure” and the vertical axis the one of “strategy”. The bubble size reflects the combined scoring of the core fields.

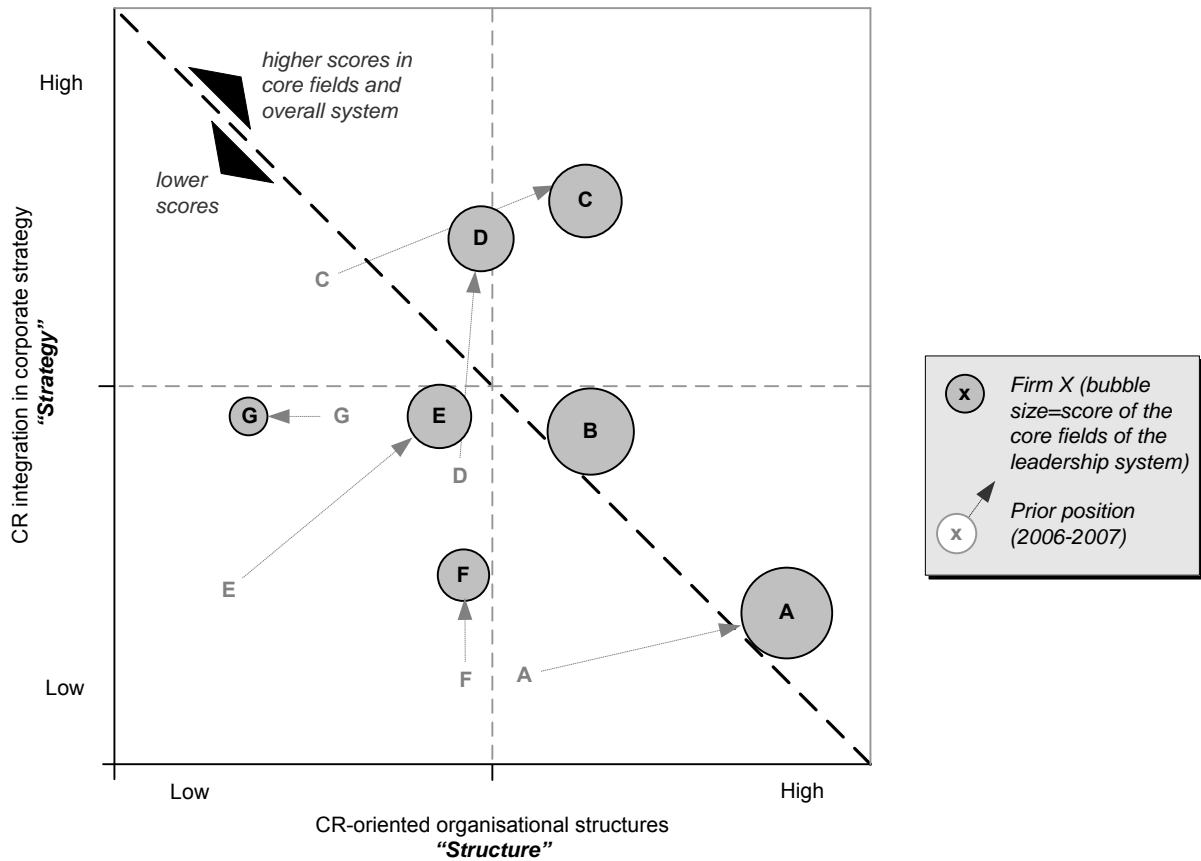


Figure 86 Context (Strategy and Structure) and Leadership System and the Developments from 2006 to 2008

The above diagram gives a clear picture about the *link between context fields and core fields*. All firms with high scores in the RLS (A-D) have also *combined* high values in structure and strategy. This combined value can have three sources: (1) High values *only* for structure, (2) high values *only* for strategy, or (3) mid-to-high values in *both* strategy and structure. Accordingly, the above results suggest that firms with little or no CR integration into formal strategy could still have a strong RLS as long as they possess above-average organisational structures (e.g., CR departments and committees).

The chart also shows a *high dynamic in regard to the development of responsible leadership systems*. Five of the seven firms made significant progress within the last two years (2006-2008), by either updating their formal strategy, or extending their CR-oriented organisational structures. Most of the *strategies* presented in paragraph 13.3.1.2 became effective within the period of 2008. The same accounts for many of the *organisational structures*. Many of the CR departments, committees, and compliance structures were only recently deployed. Only one firm (B) remains stable within the given period — still, on a relatively high level. Interestingly, one firm (G) disinvested in respect to its organisational structures and, thus, moved in the portfolio significantly to left (in this case the shift reflects the cancellation of a CR committee).

13.4.3 Responsible Leadership Systems and CR Performance

I am also interested in the link between the scores (“performance”) of a firm’s RLS and the real CR performance. The former is given by the present work, the latter is best approximated by taking various professional CR rankings into account. Here, I regard CR performance as the average CR ranking result as calculated in an earlier section (cf. 12.2). I assume that responsible leadership systems have a certain impact on external CR ratings for two reasons:

- First, of course, I assume that leadership instruments indeed influence leader behaviour (at least to some extent) and, thus, ultimately lead to CR-oriented practices.
- Second, CR ratings do not only use outcome measures for CR performance (e.g., resources usage, rate of absenteeism, number of accidents), but also evaluate processes and policies (e.g., Kirchhoff, 2007). Such processes and policies (e.g., sustainability vision, values statements) are regarded as leadership instruments in the present study.

Hence, it is probable that investments into a RLS result, to some extent, in external CR performance.²⁶⁸ Assuming the latter causality, it is reasonable to investigate the quality of this link in more detail. I, thus, calculated a simple regression as depicted in Figure 87.

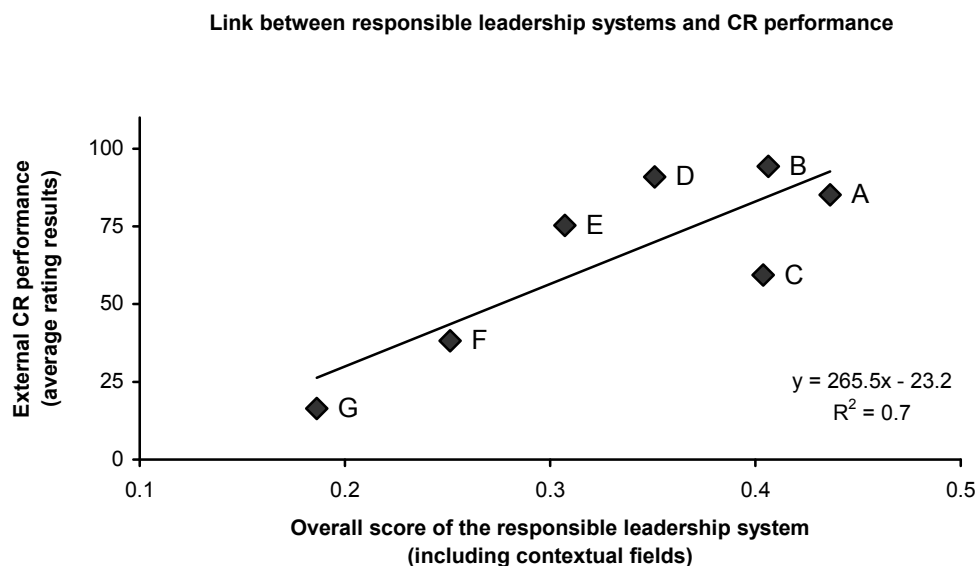


Figure 87 Impact of Responsible Leadership Systems on Average CR Performance

Due to the little observations (seven cases), this is to be understood as descriptive rather than predictive. For a more resilient predication further quality criteria would be necessary (e.g., F-statistics). Also, I cannot exclude for nonlinearity and heteroscedasticity (Backhaus, et al., 2006: 46–90). Especially because I cannot exclude for nonlinearity, I focus on the coefficient

²⁶⁸ There are also some arguments which may suggest an opposite causality. For example, experts stated that “success” in CR (e.g., indicated by positive external ratings and awards) is a driver for the extension of a RLS (cf. 13.2.3.2). This means that external CR performance can have a reinforcing effect on internal systems, tools, and structures.

of determination (R-squared)²⁶⁹ and do not interpret the regression coefficient x (i.e., the slope). Overall, I use this analysis only for pointing out general trends (“exploratory trend line”).

The regression line in the above diagram clearly suggests an exploratory link between responsible leadership systems and CR performance. The value of R-squared suggests that about 70 percent of the RLS scores explain the results of CR ratings. Against this background, it is interesting to investigate more detailed which elements of the RLS contribute to CR performance. Accordingly, I calculated a regression on each field of the RLS framework against the overall CR performance. The results are depicted in Figure 88.

²⁶⁹ R-squared is a standardised measure with values between 0 and 1. The greater R-squared is, the better the regression model describes the data, thus, it describes the “goodness of fit” (Backhaus et al., 2006: 64).

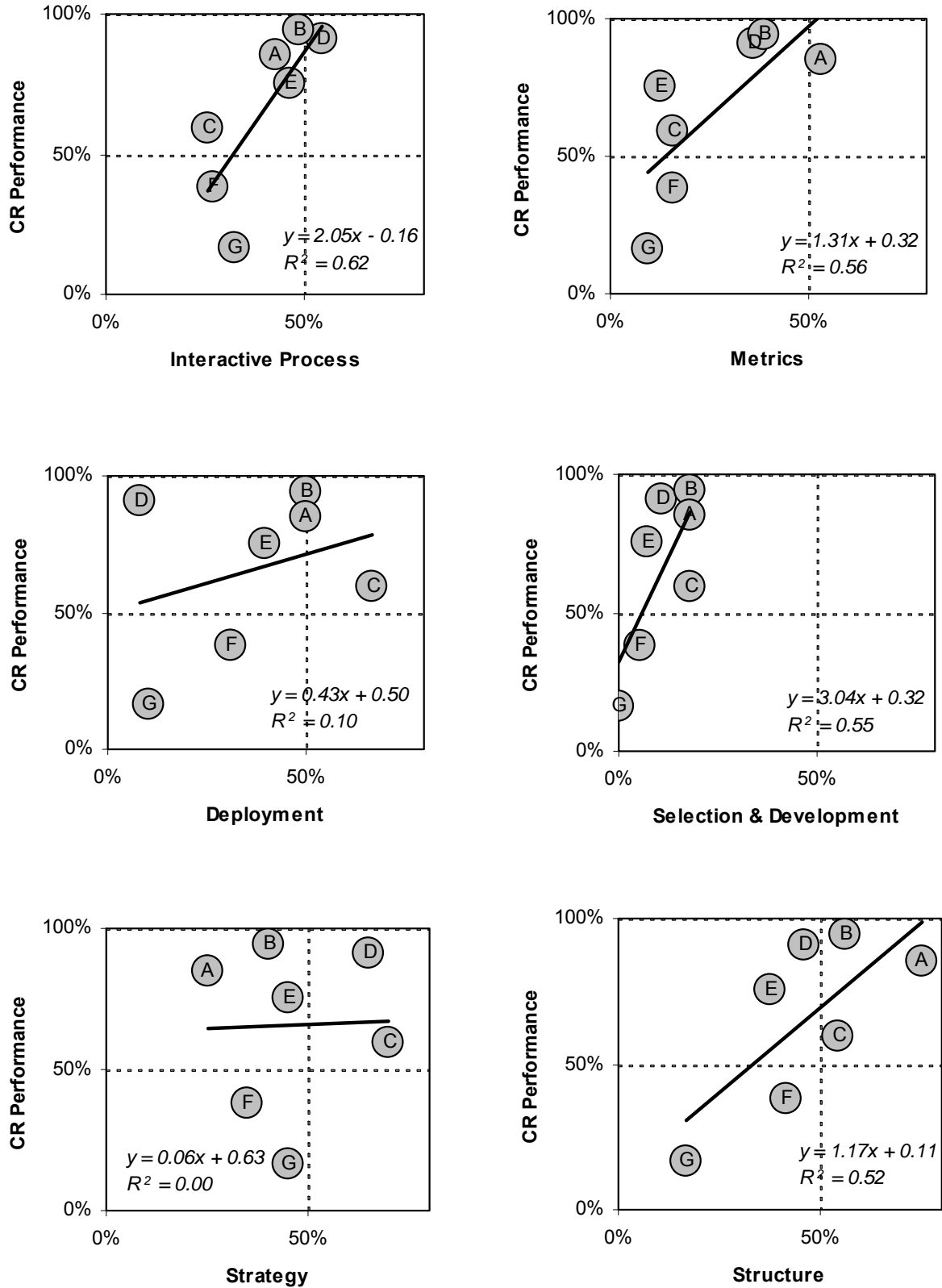


Figure 88 Link Between Responsible Leadership Systems and CR Performance (Ratings)

The regression analysis shows that the following elements of the RLS best explain CR performance (decreasing order): *Interactive process, metrics, selection and development*, and *structure*. The fields of *strategy* and *deployment* do not seem to translate into CR performance as determined by rating agencies.

13.4.4 Pathways to Responsible Leadership Systems

My empirical investigation of responsible leadership systems also covered a historical assessment about how firms approached the development of such systems. The explorative findings show that companies used different pathways towards responsible leadership systems (Table 50).

Development Paths
<p>"I would say we started in the first field [interactive process] according to the motto: 'God created the CR policy the first day and the second day, he wanted metrics'." (BDG1: 108, DAX)</p>
<p>"We started with corporate culture, then we established structures. When I entered the firm they said: 'let us do some things quickly in order to gain visibility'. Afterwards, we thought about the strategy. [...] Strategy and vision is important, but in large company like ours it can take much time to establish it. If you have experience and know where this is going you can do things in advance [...]. In the past, this was the case with environmental management systems. Whatever strategy — we started doing that." (BDC1: 90, DAX)</p>
<p>"We have different stories about implementation in our firm [...]. Of course, we could tell the story in a more systematic way [which is not the way it developed] like, for example, that we started with the Global Compact and followed with business conduct guidelines." (BDE1: 97, DAX)</p>
<p>"When I look at our environmental management, I think about whether our entry point was the measurement in the sense of environmental KPIs. This developed before CR-related issues appeared in guidelines etc." (BDF1: 143, DAX)</p>
<p>"It always depends on the specific organisation. Here, in our firm, we started with the field of leadership development — not as corporate strategy, not like 'we start here and then we proceed to the next...'. We started it as a small group below the radar. We just did it. [...] Leadership development is important to establish a culture. It is about culture!" (BOA1: 35, 48-51, corporate expert)</p>

Table 61 Statements on Historical Development of Responsible Leadership Systems (Translated)

The above table indicates three possible paths to responsible leadership systems, which are described in the following.

- *Path "α"*. Some of the companies (e.g., F) established responsible leadership systems through a *formal process* which establishes instruments in the field of interactive process. To name a few, this covers the definition of CR policies, goals, and guidelines. Subsequently, these firms infuse some of these aspects into the subsequent fields of "metrics", "deployment", and "selection and development". Sometimes, this approach is part of a larger *strategic initiative* (i.e., when the business strategy is closer aligned with CR).²⁷⁰
- *Path "β"*. Other firms (e.g., A, C, G) did not follow this strategic approach. They report that responsible leadership instruments were established in a rather unsystematic way, for example, through the personal engagement of individuals. Often this was driven by certain *organisational structures* which existed prior to formal CR management, such as the

²⁷⁰ BDG1: 108.

environmental department. They, for example, started to establish performance indicators. Then, after some of these instruments became attention from the general management, the addressed aspects were also formally integrated into instruments like strategies, codes, and guidelines.²⁷¹

- *Path “γ”*. I registered a third possible pathway within a company which I interviewed during the initial exploration in the first phase of the research project. Without knowledge by the top-management, the executive responsible for talent management started a project to establish a new *leadership development programme* rooted in *service-learning*. This programme, which afterwards became the flag-ship leadership programme, infused CR and sustainability aspects into the participating leadership talents. Also, a formal integration into strategies and policies occurred only after the programme got successful. This latter approach is an example for how to develop responsible leadership systems through formal leadership development. It is also the path closest to the context field “culture”²⁷² because development programmes establish a direct interaction with the individual leaders and can influence their norms, espoused values, and underlying assumptions.

The following Figure 89 depicts the discussed development paths.

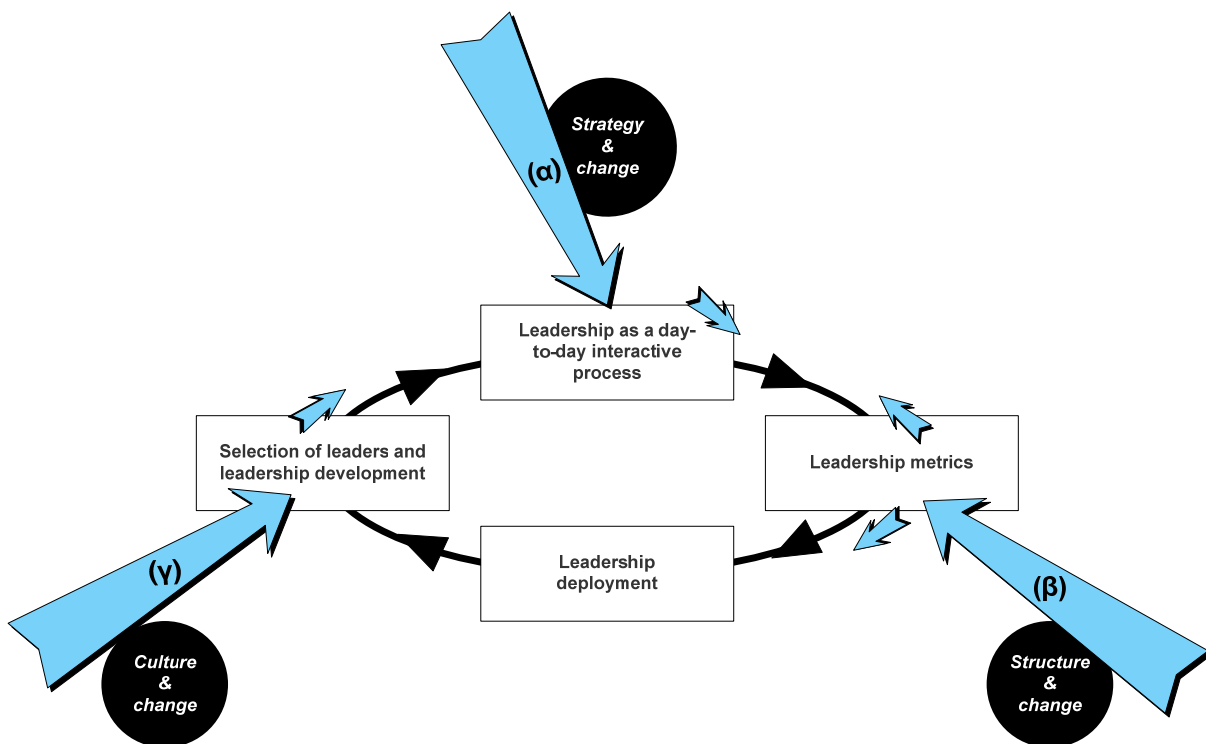


Figure 89 Different Starting Points for the Development of Responsible Leadership Systems

²⁷¹ BDC1: 90; BDF1: 143; BDE1: 97.

²⁷² Cf. BOA1: 35.

The latter findings show that strategy is not necessarily the initial step for developing a RLS. Rather, some companies started to engage in the development of leadership instruments in absence of overarching strategies. Subsequently, these activities eventually developed into formal strategies. Furthermore, I discovered another important fact: Sometimes CR-oriented initiatives are developed *below the radar of upper management*.²⁷³ In these cases, intrinsically motivated individuals from middle management or other levels engage in small-scale solutions and pilot projects to advance CR:

“If you ask [about introducing a CR development programme], there will be resistance. Thus, we approached the topic in a small group below the radar. We didn’t make it a strategic initiative and we didn’t wait that others tell us: ‘This is a decisive topic, implement it!’ We did experiments; we developed room for experiments — a laboratory. [...] That’s what the [X] programme [a certain top leadership development] is. In this field, we wanted to develop a deeper understanding and see if it survives the tests. We didn’t market it, neither internally nor externally. Ultimately, however, it developed from a peripheral programme — which nobody really knew about — to a flagship programme for leadership development of key talents.” (BOA1: 35)

13.4.5 Most Important Future Trends

Based on the data from interviews and documents, I also analysed the current developments in regard to the RLS framework. All instruments on which two or more of the firms are currently working on (or planning to do so) are depicted in the following diagram (Figure 90).

²⁷³ BOA1: 35; BDC1: 90.

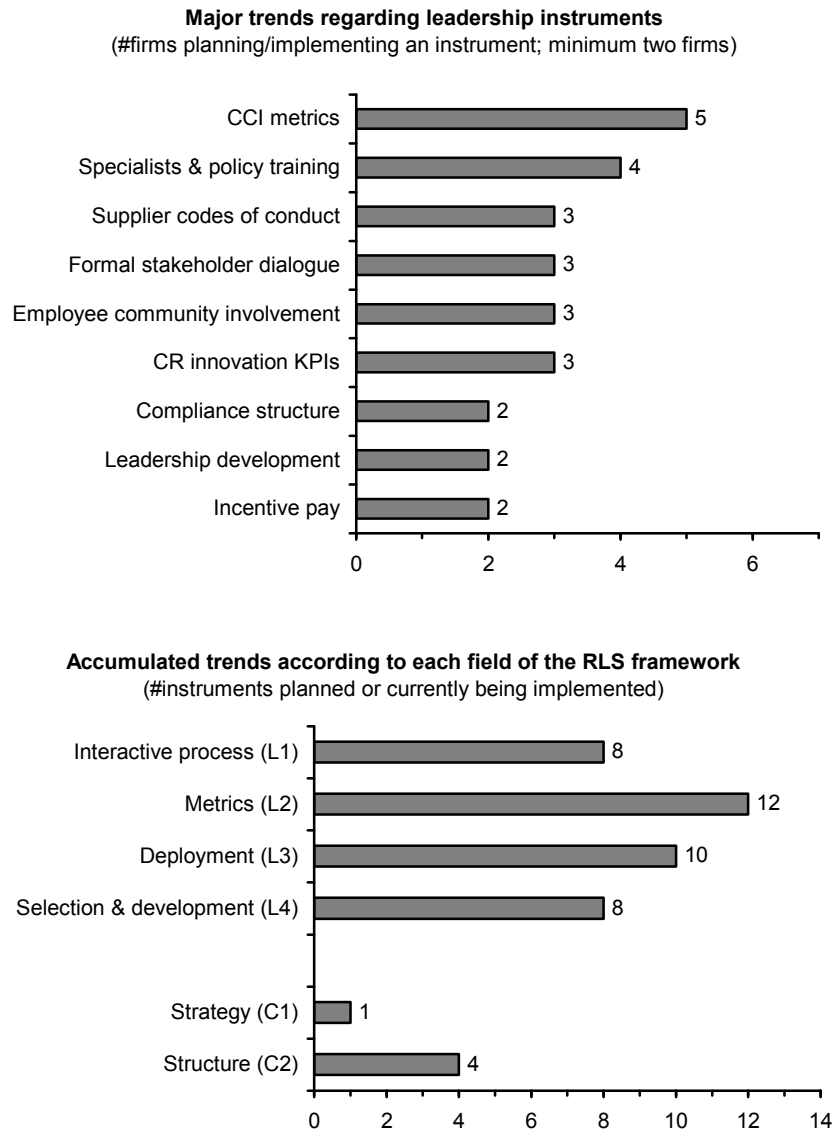


Figure 90 Trends of Responsible Leadership Systems

The most evident trend is the expansion of *CR-oriented measurement systems*. More specific, companies are currently working on corporate community involvement metrics²⁷⁴ and on CR innovation KPIs²⁷⁵. The former covers all kinds of metrics which aim at evaluating social initiatives in local communities, for example, through corporate donations and volunteering schemes. The latter deals with the quantification and control of the innovation process in regard to social and environmental criteria. KPIs can, for example, determine the firm's green innovativeness.

The second strongest trend concerns the field of *leadership deployment*, in which firms implement new incentive, reward, and punishment systems. Thereby, especially non-

²⁷⁴ BDX1: 32; BDF1: 66; BDD1: 61; BPB2.

²⁷⁵ BDG2; BDK2: 55.

monetary incentive schemes receive consideration. Especially compliance systems²⁷⁶ and *employee community involvement programmes*²⁷⁷ are currently worked on. Employee volunteering and community involvement programmes are tools to motivate employees on all levels to personally involve in responsible action. Compliance systems deal with prevention and detection of in-compliant employee behaviour, and also incorporate punishment mechanisms.

With a similar importance, the field of *interactive process* and *selection and development* follow. Concerning *interactive process*, organisations currently work on codes of conduct in the supply chain and on formal stakeholder dialogues. In the field of *selection and development*, most cited instruments currently worked on are specialists training (i.e., development programmes addressing specialists with function-specific CR content) concerning sustainable product development and policy training with respect to compliance. A bit less trendy are leadership development programmes covering CR in a more general nature.²⁷⁸ At the same time, two interviewees state that it is often the budget for leadership development initiatives which is subject to cost cutting once economic conditions get tough;²⁷⁹ accordingly, these latter trends are considered preliminary.

I identified only one major trend in the contextual fields strategy and structure: This is the construction of organisational structures dedicated to compliance aspects.

²⁷⁶ BDE1: 24; BDG1: 53.

²⁷⁷ Corporate disclosure; BDD1: 92.

²⁷⁸ BDX1; corporate disclosure.

²⁷⁹ BDJ2: 61; also: BDG1: 106.

14 Discussion

This chapter discusses the descriptive findings of the prior chapter. It is divided into three sections. *First*, I discuss the findings in the *core* fields of the RLS framework. *Second*, I discuss findings in the *contextual* fields. *Third*, I discuss the findings regarding the *overall system*.

14.1 Core Fields

This section discusses the findings in the core fields of the RLS framework. Each field is dealt with in a dedicated subsection.

14.1.1 Interactive Process

The findings on *corporate values statements* show that virtually all companies make reference to CR. This is slightly more than what earlier, and more international studies show (AMA, 2002; Austin, 2006: 204; Steger, 2004: 57; Wilson, Lenssen & Hind, 2006: 15). This indicates that CR is, at least from a communication perspective, increasingly common sense. Now, as a communication tool, I generally agree with authors stating that corporate values are rather unimportant for real action (Paine, 2006: 56). However, my findings support that they are linked to other, more fundamental leadership instruments. As data shows, many firms make reference to values in other leadership instruments (i.e., *goal setting*, *stakeholder surveys*, *individual performance evaluation*, *selection mechanisms*, and *development programmes*). Hence, if CR is an integral part of formal values statements, the likelihood for integration within other leadership instruments increases.

Comparable to values statements, I found that overall *CR communication* is one of the strongest areas in most firms. This is in line with previous results (Wilson, Lenssen & Hind, 2006: 15); in literature and empirical studies this overemphasis of communication is often referred to as mere rhetoric (e.g., Basu & Palazzo, 2008: 128; Post, Preston & Sachs, 2002: 25).

Also, the integration of CR through various types of *business codes* is advanced. This confirms other empirical results showing that code of conducts are pervasive (e.g., KPMG, 2008: 42; Logsdon & Wood, 2005: 59). The findings of this study confirm that, with respect to code *content*, social issues still outpace environmental issues (cf. Kolk, van Tulder & Welters, 1999: 158).

In the present study, *goal setting instruments* are mostly limited to the *organisational* level (“CR programme”). Few other studies investigate goal setting (KPMG, 2008: 22; Loew & Braun, 2006: 24);²⁸⁰ in line with my findings, these studies show that CR programmes are being mainstreamed. Regarding *individual goal setting*, some of the company representatives stated that firms are reducing the number of individual goals and, accordingly, *goals with CR content* seldom make it on the list. This finding is supported by goal shielding theory (Barsky, 2008: 71; Locke, 2004: 133) suggesting that individuals have difficulties in following

²⁸⁰ Most other empirical studies do not explicitly consider goal setting for CR (e.g., Baumann & Scherer, 2009; Steger, 2004: 57; Treviño, 1990; Wirttenberg et al., 2007).

multiple goals. Consistently, another study finds that only 18 percent of executives have goals with CR content (Economist Intelligence Unit, 2007). A possible loophole is a stronger integration of traditional goals and CR goals (e.g., separate goals for sales increase and decrease of environmental impact could be unified to a single sales goal for environmental-benign products, so far the company moves into a new market for environmentally conscious consumers). Beyond explicit CR goals, the present study also analysed the role of *behavioural goals*. According to Locke (2004: 131), these are important to make responsible conduct integral to overall goal setting (i.e., including goals unrelated to CR). However, only one firm in the sample established a goal setting instrument including a dimension for behavioural goals.

The only type of instruments in the field of interactive process showing low CR integration is “goal setting and decision-making”. Whilst the former may remain pure rhetoric, the latter already have a binding character and action-orientation.

14.1.2 Leadership Metrics

A vary diverse spectrum of leadership metrics for CR exist in the sample. One trend is the development of *one-dimensional metrics*, in the sample represented by the two approaches called *sustainable excellence KPI* and *sustainable value*. It is best described as the “quest for the single indicator” (Atkisson & Lee Hatcher, 2001: 512). These two approaches have in common that they include an element of benchmarking: The sustainable excellence KPI includes an average of rating results (usually cross-industry), whereas sustainable value is calculated based on industry-specific benchmarking. This produces *relative* results comparable to what is called “best-in class”, which is the best firm/product in a specific group (Knoepfel, 2001). This relative assessment also resonates with the understanding of CR as *direction* rather than of *absolute levels* (Hansen, Große-Dunker & Reichwald, 2009a; Paech & Pfriem, 2004: 37). For example, it is difficult, if not impossible, to assess whether a product is entirely sustainable or not, but it is possible to judge whether it is more sustainable compared to other (or prior) products.

At the same time, both measurement approaches are different in nature: The sustainable excellence KPIs are based on external perception-based assessment (rating agencies and customers), sustainable value is calculated using real performance indicators. Thinking about an *ideal* single metric, this probably requires both perception-based and real performance indicators: A stakeholder perspective demands perception-based assessment of CR by various stakeholders; at the same time, an organisation has the best overview on internal risks and opportunities and the related progress and, thus, can deliver the most accurate metrics.

Beyond the quest for a single metric, the results show that companies also engage in *partial solutions to CR measurement* including the areas of supply chain management, innovation management, and CCI. The green innovativeness KPI is a good example of how CR is made an integral element of core business processes. The innovation system belongs to the core of business organisations and it, hence, is especially meaningful for CR integration. This is confirmed by Claussen and Loew (2009: 79) who show that companies are starting to systematically integrate CR into their formal innovation processes. The green innovativeness KPI has also weaknesses, comparable to portfolio strategy approaches (cf. 14.2.2). The

outcome of the KPI is strongly determined by the weights assigned to eco classes and categorisation of technologies into these. Both of these aspects (definition of weights; assignment to categories) remain internal and, hence, non-transparent processes. To address these weaknesses, the company could open up the process and include external stakeholders, for example, environmental experts (ibid.: 84).

Strategic performance measurement systems like the *traditional BSC* were recognised as too complex by a majority of the companies. This resonates with previous findings (Bieker, 2005: 192; Bieker et al., 2002: 362; Möslin, 2005: 185). The results are similar for approaches integrating CR into the BSC (i.e. a sustainability BSC). This low diffusion of the SBSC probably stems from some of the prerequisites: (1) An existing traditional BSC system and (2) explicit strategies concerning CR (Bieker et al., 2002: 345–348). Still, selected companies demonstrate forward-looking solutions. As data shows, “living” SBSC solutions more likely exist in smaller organisations (cf. pilot cases) than in the headquarters of DAX companies. A possible explanation derived from some of the executive statements is that large-scale organisations become so complex that tools like the BSC are not practical anymore.

CR-oriented performance measurement on the *level of the individual* is virtually absent in the sample. In a few companies, I registered at least a formal performance evaluation instrument making *reference to corporate values*. This link of values to performance evaluation is also acknowledged in prior studies (AMA, 2002; Reichwald, Siebert & Möslin, 2005: 193; Siebert, 2006: 298). One possible explanation for low CR integration in this area is that researchers and practitioners alike have trouble in defining CR on the individual level (DTI, 2003: 23; Nijhof et al., 2007: 151f). Often, CR is simply regarded as an organisational-level construct and, hence, companies wait for proper metrics on the organisational level, which they can then break down into individual-level metrics. As data shows, organisational metrics are indeed used as a component of evaluation tools on the level of the individual; still, this is only true for *economic* metrics. Other empirical studies avoid the topicality by not differing between performance measurement on the level of the organisation and the one of the individual; they more generally speak of “performance measurement” or “business metrics” (e.g., Steger, 2004; Wilson, Lenssen & Hind, 2006; Wirtenberg et al., 2007).

14.1.3 Leadership Deployment

The present study reveals that, with respect to CR, few firms use *monetary* incentives and rewards. Monetary incentives remain mostly limited to (function-specific) pay components of functional specialists (e.g., head of environmental department). This confirms other empirical studies finding that only 14 to 20 percent of executives receive CR-oriented incentive pay (Economist Intelligence Unit, 2007: 19; Steger, 2004: 57, 59).

Compared to monetary incentives, *non-monetary incentives and rewards* are much stronger recognised by companies, which is also in line with prior findings (Steger, 2004: 59). In the current study, I recognised awards, leadership groups, and employee community involvement. The instrument of *employee community involvement* is the strongest differentiator between companies. Some companies provide a set of formalised programmes, while others do not pursue any formal approach. This divide probably stems from the scepticism of a large share of German companies with respect to the rather Anglo-American concept of community

involvement. For example, several dedicated studies show that only a minority of German companies offer such programmes (Backhaus-Maul & Braun, 2007: 8; VIS a VIS, 2008: 77–144).

A large share of companies also possesses thorough *compliance mechanisms*. This supports literature stating that *values-oriented and compliance-oriented perspective* are both required for managing responsibility (Paine, 1994; Thomas, Schermerhorn & Dienhart, 2004: 63; Weaver, Treviño & Cochran, 1999: 42).

14.1.4 Selection of Leaders and Leadership Development

Especially interesting is the fact that DAX firms do widely neglect CR in formal mechanism for the *selection of leaders* as well as in *formal leadership development programmes*. The only development instrument firms broadly engage in is specialists training and policy training. Firms are, thus, less interested in making CR an overall paradigm of formal development; they rather address executives and employees by a smaller set of CR aspects related to their specific function. If CR is incorporated into leadership development at all, it is reduced to technical modules which aim at developing *knowledge* on CR. Vertical development, intended at developing CR *mindsets*, is even less available, even though literature consider it sometimes more effective than traditional (horizontal) approaches (RESPONSE, [2007]). These findings on the degree of CR integration are even more critical, as part of my data stems from CR managers, who tend to overestimate the situation of CR-oriented training and development (Steger, 2004: 57). Regarding the degree of CR integration in development programmes, previous research is contradictory. Some studies mirror my findings (Baumann & Scherer, 2009: 29; 2005; Brunner, 2006: 178; WEF & IBLF, 2003). Still, others report of slightly higher integration into leadership development. For example, Steger's results suggest that about 31 percent of executives receive CR-oriented leadership development (Steger, 2004: 57). However, these approaches do not differ between overall "leadership development" and function or issue-specific specialists and policy training. I assume that in the study by Steger the share of specialists and policy training outweighs broader leadership development programmes and, hence, may mislead comparison to the results of the present study.

At the same time, my findings are in stark contrast to the ones of Wirtenberg et al., who state that HR offers "unlimited leadership development opportunities for their high potential employees" and that "these are oriented around a core of sustainability as an overarching corporate goal" (2007: 15). It is also in contrast to a study by Wilson, Lenssen and Hind (2006: 14), where 61 percent of executives state that CR was integrated in top-management development and induction (still, these findings should be contemplated sceptically because they result from a survey which remains on a very superficial level and does not control for social desirability bias).

Concerning the degree of CR integration, the conflicting results of these diverse studies (on the one hand, *low* training integration and, on the other, *high* training integration) lead to another insight: Most of the studies finding *low integration* — including the current one — use samples tending towards the German-speaking world (especially Germany and Switzerland). Studies reflecting *higher integration* have stronger emphasis on Anglo-

American countries. Against this backdrop, I hypothesise that the cultures in German-speaking countries, with their (over) emphasis on “hard” facts, may be a source of scepticism towards leadership development practices, especially when such practices are intertwined with likewise “soft” topics such as CR.

My data also shows a *divide of the HR and CR functions*. This finding is also controversial considering prior studies. In support of the “divide”, one study finds that HR executives in Germany regard CR of *average* importance for the HR department *to date* and of *low* importance in the *future* (Blumberg & Scheubel, 2007: 15). Further, Nijhof finds limited support for CR by the HR department (Nijhof et al., 2007: 164). In contrast, other studies identify HR as a function rather *supportive* for CR (Steger, 2004: 52f; Wirtenberg et al., 2007). Still, this is put into perspective by Brunner stating that a large variety exists between companies of even the same sector, ranging from “not interacting at all with the sustainability function to being part of the opinion-leader group” (Brunner, 2003: 28, 30-32). Wirtenberg et al. (2007: 17) also qualifies own findings stating that HR support was only strong in companies where HR leaders were strategically positioned in the firm.

Overall, the findings about CR-oriented selection and development remain controversial and may lead to two opposing conclusions: One may argue that the virtual absence of CR-oriented instruments speaks for the irrelevance of the field for practice, thus, for an exclusion from the theoretical framework. Vice versa, one may argue that companies are still in an early stage of cultural change towards CR and simply fail to address this important component of a RLS. I follow the latter argument for two reasons:

- First, considering that this work is rooted in the understanding of CR as a leadership task, that leadership systems help to “manage” leaders in large-scale organisations (Huff & Möslein, 2004; Möslein, 2005), and that instruments for the selection of leaders and leadership development are central elements of such a leadership system, they simply cannot be disregarded.
- Second, normative and empirical literature from the field of CR regards CR-oriented leadership development as a success factor in order to build necessary organisational capabilities and provoke top management buy-in (e.g., Epstein, 2008a: 167; Hunsdiek & Tams, 2006: 57; Salzmann, 2006: 220).

By this line of argumentation, DAX firms are simply lacking the kind of selection and development instruments which nurture CR. It is also questionable, if this can change in the short-term. Especially under tighter financial conditions, cost cutting most prominently hits human resource development in the way that budgets are withdrawn and programmes are suspended.

14.2 Contextual Fields

This section discusses findings in the contextual fields of the RLS framework. The first two subsections address corporate strategy and the third subsection deals with organisational structures.

14.2.1 Raising Integration of Strategy and CR

Previous studies amongst MNCs conclude that about 80 percent of companies do *not* integrate CR into their corporate strategy (GTZ, 2006: 21) and that “only minor involvement between the strategy department and the sustainability unit” exists (Eckelmann, 2003: 21). It seems that this situation is slightly better today. As my data shows, very recently, about half of the companies redeveloped their corporate-level strategies resulting in a stronger CR orientation. These are companies from automotive and technology industries. Regarding the *automotive companies*, the changing strategies are most probably a consequence of increasing pressure from governments and consumers to produce more environmental-friendly cars. This pressure is a direct consequence of the latest scientific knowledge on the link of carbon emissions and climate change, as published in the “Stern Review” (IPCC, 2007). The findings of the present study show, for example, that automotive companies are more open to rethink their business models. This is very much in contrast to earlier findings of Brunner; he cites automotive experts stating that “there is no way this issue [sustainable mobility] will change our business model” (2003: 27). Regarding the company from the *technology sector*, the greater strategic alignment towards CR is also related to the Stern Review, but it is less a matter of *pressures* to the own business model, than to the insight that global environmental challenges provide new markets for environmental technologies and, hence, are a *source of business opportunities*.

Overall, data analysis reveals that companies have a *medium* degree of CR integration in strategies. However, this result has to be considered carefully because a significant share of this result stems from the high scores of *functional-level* (CR) strategies, which do not necessarily translate into *corporate-level* strategies: Few of the companies’ *vision and mission statements* go beyond a superficial integration of CR. Also, still more than half of the companies do not address CR in *corporate-level strategies*. This mirrors the findings from other authors questioning “whether a revolutionary sustainability strategy [...] would completely change the corporate strategy and the company’s business model” (Eckelmann, 2003: 18; also: Brunner, 2003: 27; Eckelmann, 2006: 189; Steger, 2004: 47). Overall, results confirm the finding by Brunner (2006: 158) that economic criteria still outweigh CR-related ones.

Another interesting finding regards the *nature* of (*functional*) *CR strategies*. The analysis shows that they are often *semi-formal* in the sense that they only exist in the form of a broad description in the CR report (though, sometimes in a dedicated section) addressing aspects as diverse as action areas, instruments and tools, organisational structures, and goals. This resonates with Eckelmann’s remarks about “whether such a [CR] strategy could possibly be formulated” (Eckelmann, 2003: 17).

14.2.2 Critical Aspects of Portfolio Strategies

As the study demonstrates, some of the firms use dedicated CR or environmental *portfolios* as a means for making CR integral to corporate strategy. Motivated by GE’s “Ecomagination” strategy (Heslin & Ochoa, 2008: 142; Mirvis & Googins, 2006: 116), such portfolios cover a selection of CR or environmental-oriented products and technologies. The separation of dedicated CR-oriented portfolios from the overall portfolio, however, has several weaknesses.

On the one hand, (partial) portfolios represent a selective approach: They do not address risky or harmful products and technologies a firm may also maintain.

On the other hand, the products and technologies entering the portfolio may not be as “green” or responsible as the portfolio name suggests. Their portfolio inclusion seems to be guided rather by a business narrative (cf. Bekefi, & Epstein, 2008: 43). Consider, for example, carbon sequestration technologies, a geo-engineering technique aiming at long-term storage of carbon emission in various geological features or below the ocean. Both firms with the portfolio approach consider these as “green” technologies. However, this categorisation is debatable (if not to say cynical), as the technology is, to date, far from being understood. Further, the technology inherits a multitude of risks like, for example, the risk of *long-term* storage. Moreover, it is also considered as a decelerator for renewable energies and, hence, counterproductive for combating climate change (Supersberger et al., 2006). Under these uncertainties and considering that CR opposes high risk technologies (Paech & Pfriem, 2004: 30), carbon sequestration technologies, at this point of time, should not be part of a CR portfolio. The rather relaxed approach for selecting technologies shows that business opportunities outweigh CR-oriented reflection. This resonates with authors stating that GE’s portfolio approach was primarily a profit-oriented strategy (Bekefi & Epstein, 2008: 43; Epstein, 2008a: 253). I elaborated this exemplary technology (carbon sequestration) in order to demonstrate the difficulty of deciding over potential CR-related positive and negative effects of products and technologies (cf.: Hansen, Große-Dunker & Reichwald, 2009a). Accordingly, there should be more open discussion or *discourse over the content of CR portfolios*. However, the (corporate) process (e.g., actors involved; evaluation criteria) for composing these portfolios remains highly intransparent. A possible solution could be the full accountability on the selection process or, better, the involvement of various stakeholders in technology assessment (cf. Clausen & Loew, 2009: 84).

14.2.3 Organisational Structures

The analysis of organisational structures demonstrated that, to date, *CR departments* are a quasi-standard in MNCs. The characteristics of this type of department, however, differ across companies. *Centralised arrangements* bundle all CR-related expertise within the CR department, which then provides this expertise to other functions. For example, sustainable product developers assist the R&D departments; supply chain CR specialists help procurement departments to implement social and environmental codes within the entire value chain; community involvement experts assist the human resources department in developing new formats for professional development; and bottom of the pyramid experts consult business units in developing new business opportunities in highly-populated, but low-budget countries of the developing nations. Following *decentralised arrangement*, companies have functional experts with additional CR-oriented expertise located in functions like communication, HR, R&D, and the environmental department. An earlier study regards both approaches as legitimate (BSR, 2002: 13). The findings of this study show that a majority of companies follows a *centralised* approach with departments increasing in size. This is a sign that the CR department is becoming a unit comparable to other functions.

Also, *CR committees* are a de facto standard in large, quoted MNCs. Concerning CR committees, only two companies lack such a structure, of which one *discontinued* it little before the qualitative investigation took place. The other company missing a committee argues for a strong *decentralised approach* in which every employee maintains responsibility for CR: Whilst this is a praiseworthy intent, it remains questionable if the exchange and collaboration between different units could solely be based on informal or project structures. My results show a trend towards committees with greater decision-making power (e.g., participation of board members) and a broader integration into business (e.g., participation of business units and regions). Spitzack (2009b) also recognises a constant trend towards committees and even finds that committees are directly related to CR performance. Some studies draw a different picture, but then, they usually include more diverse samples (smaller or unquoted MNCs). For example, Clausen and Loew's (2009: 69f) study show that few companies have both CR departments *and* committees.

Another interesting finding is the *stakeholder advisory board* presented by one of the firms. The advisory board is constituted of various experts from various domains (e.g., NGOs, academia, politics) and is considered to advise the company's board of management and CR unit. Other recent studies also determine the existence of comparable organisational arrangements: Spitzack (2009b) reports of a "CSR Leadership Board" at British Telecom. Mirvis and Googins (2006: 113) report of a *hybrid structure*, including elements of both CR committees and stakeholder advisory boards. According to them, the Swiss firm ABB uses a stakeholder advisory board consisting of the CEO, the CR head, and seven (external) ad-hoc advisors. This collaboration with external actors reflects findings by Austin (2006) stating that many of today's socio-economic problems even transcend the problem-solving capacity of single sectors. These developments can be identified to be the first steps on a path towards a *stakeholder governance* of the firm (Tirole, 2001), which I will elaborate more detailed in the next section.

The trend towards additive organisational structures for CR needs to consider the *risk of parallel organisations* referring to the disconnect between real business and CR structures (Doughty Centre, 2009: 8; Schaltegger & Wagner, 2006a: 2). With respect to *CR departments*, it is interesting to look at the firm following a strong decentralised approach (no committee; main responsibility for CR within environmental department). In this firm, the CR/environmental department is reporting to corporate strategy, which could be interpreted as close relationship with core business. The situation is different for the company with the largest CR department (presented in detail in the findings). Though my impression is that it has been very effective, it is maybe most vulnerable to develop towards a parallel organisation because it covers all responsibilities typically spread across functions (which I earlier referred to as a "micro cosmos" of the firm). For example, the department has its own employees for CR communication, sustainable product development, and community involvement. In this strongly centralised set-up, it is even more important to establish strong links to the other functions. Indeed, this is achieved by various formal and semi-formal structures like the CR committee and the instrument introduced as "one-to-one talks". As my data shows, the risk of parallel organisations is smaller for *CR committees* than for CR departments because committees consist of representatives of various functions and, sometimes, also of business

units. My sample included a firm with the CEO participating in the committee, which is a good example for the strong link of CR structure and business. Spitzbeck (2009b) also finds increasing board participation in CR committees.

Beyond these main organisational bodies of CR, data also shows that more function or *issues-specific committees* are being established like, for instance, committees for compliance, carbon emission management, and reputation. Indeed, other studies sometimes take such an issues-specific perspective on governance structures (e.g., Cogan, 2006). Still, it leads to the question whether the complexity of CR indeed requires a broad range of issues-specific bodies and whether these are living bodies or rather empty shells in the sense of a public relation exercise.

Overall, the organisational bodies found in corporate practice show an increasing trend towards *collaboration across various internal and external borders*. This is in line with the recommendation to establish more cross-disciplinary structures provided in an earlier study by Salzmann (2006). In the present study, this is represented by various arrangements. *CR committees* bring together functions, business units, and top-management. The same is achieved by the tool of *one-to-one talks*, but with fewer constituencies per meeting and in a more semi-formal fashion. *Issues-specific committees* bring together internal experts across functions to collaborate on a focal issue. Finally, *stakeholder advisory boards* connect external and internal experts to advise the executive board. This collaborative nature of many of the organisational structures seem simply to reflect the complexity of CR, which itself spans virtually across all corporate domains. A positive side-effect of CR-oriented collaborative structures could, thus, be the dissolution of knowledge islands (North, 2005).

14.3 Overall Systems

14.3.1 Relationships

Concerning the core fields of the RLS framework, the benchmarking of case data shows that companies scored highest in the field of *interactive process*. This is not surprising as this field is regarded as a major entry point for developing responsible leadership systems (cf. Figure 89 on p. 222). Also, considering that the statistical analysis of the relationship between RLS and CR performance suggests one of the strongest links between the field of *interactive process* and external CR rating performance, investments into this kind of leadership instrument can be recognised as “low hanging fruits” with regard to improving CR rating performance. Once CR is integrated within codes, guidelines, and goal systems, a firm can proceed to install related metrics (L2), deployment (L3), and development (L4) instruments. At the same time, instruments in the interactive process field are easier to implement. They can be designed on corporate level, with the “implementation” being accomplished by a more or less intense broadcasting initiative. For example, a new code-of-conduct comes together with a global communication initiative, or, at most, with additional e-learning sessions. In contrast, instruments in the fields of *metrics* and *deployment* have a stronger results orientation and require a much tighter involvement of the diverse global and local sites, and a stronger commitment of affected people. For example, when CR-oriented measurement and compensation systems are introduced, every manager, at least once per year, has to deal with the related evaluation criteria. Concerning the field of *development*, CR-oriented leadership

development initiatives requires well developed trainings which go far beyond simple broadcasting and e-learning tools and, thus, require more significant investments.

Still, the field of *leadership deployment* (i.e., monetary and non-monetary incentive and rewards schemes) shows a degree of CR integration almost as high as in the field of interactive process. This high integration score stems, however, almost entirely from the instruments for *non-monetary* incentives and rewards like awards, compliance mechanisms, and employee community involvement. The “tougher” instruments like *monetary* incentives and rewards (Steger, 2004: 59) remain with a low degree of CR integration. This observation also explains why, with respect to the degree of CR integration, the *metrics field* stays considerable behind the field of deployment: Usually, non-monetary incentives and rewards are less bound to rigorous performance metrics than monetary ones (Huff & Möslein, 2004: 259).

Overall, the overemphasis on less binding types of instruments, as demonstrated by the analysis termed “rhetoric versus obligation” (more than half of the firms have *high* CR integration within the field of interactive process, whereas concerning the other fields, more than half of the companies remain with *low* integration), rises the question how serious the currently existing responsible leadership systems indeed facilitate change towards more responsible business. This resonates with a discussion about the “*rhetoric-reality gap*” (Hess, Rogovsky & Dunfee, 2002: 118; Mintzberg, 1983: 4; Steger, 2004: 47) referring to the gap between expressed claims and substantive action (Campbell, 2007: 950).

CR is becoming more established in MNCs, represented by increased formal recognition in *organisational structures* and *formal strategies*. These *contextual fields* tend to be more advanced concerning CR integration than the core fields of the RLS. When arguing that *contextual* fields influence the development of the *core* fields, or in other words, that excellence requires the core fields to be in line with contextual fields (Möslein, 2005; Reichwald, Siebert & Möslein, 2005), the future should see more advancement at the core fields of the RLS. At the same time, one of the most interesting finding is the fact that the emergence of responsible leadership systems is not *dependent on a formal strategic approach* (cf. section 13.4.2). As the analysis shows, the two firms with the strongest RLS have only low or average scores in the field of strategy (still, both companies have strong dedicated CR strategies). More specific, the company with the strongest RLS does not at all relate to CR in its *vision and mission statements*, nor in its *formal corporate strategy*. This confirms Brunner stating that “overall the relevance of visions and goals for successful CSM [i.e. CR] is considered as relatively unimportant” (2003: 24). It seems that their success in building a RLS is more based on their CR-oriented *organisational structures*, or on a mixture of organisational structures and a small degree of strategy integration (i.e. limited to dedicated CR strategies). On the other hand, some of the firms with (only) an average RLS achieved top scores in the field of strategy. Overall, this provokes the conclusion that formalised corporate strategies do not reflect organisational reality; indeed, when strategy is thought of as a guideline for future actions, such strategy can only have impact in the future. This is different for *organisational structures*, which come into effect the day they are established and staffed (i.e., so far they are not false facades). For example, establishing a CR department with a CR officer will immediately start to work in this field. This hypothesis is supported by other

findings, suggesting that organisational structures and moral organisational learning are interlinked (Spitzeck, 2008: 233). This means that, if strategies are not immediately translated into the proper organisational structures, strategy may be reduced to a formal exercise without real impact.

Across the RLS framework, the empirical findings show that an increasing number of instruments integrate a diverse set of *stakeholders* (especially external ones). Examples include stakeholder advisory boards, stakeholder dialogues, as well as the proposed evaluation of green innovations through external experts. This is consistent with other literature identifying a trend towards “*stakeholder governance*” (IBLF & SustainAbility, 2001: 28; Maak & Ulrich, 2007: 217ff; Spitzeck & Hansen, 2009) or “*stakeholder societies*” (Tirole, 2001). This extended governance structure could align corporate activity towards an “*economy that serves life*”, which Ulrich calls “*lebensdienliche Ökonomie*” (Ulrich 1997/2001, 1997/2008). Stakeholder governance also relates to the idea of a “*boundaryless organisation*” as proposed by Picot, Reichwald and Wigand et al. (2008: 13). The term is used to describe the shift of the rather isolated corporation responsible for the entire value creation towards collaboration with other companies (i.e., *network organisations*) and, as Reichwald and Piller (2006) added lately, with consumers in the sense of an *interactive value creation*. Following the concept of the boundaryless organisation, stakeholder governance becomes only one further step in this development process: It lowers the boundaries between corporations and external stakeholders.

14.3.2 Scope of Solutions

The solutions described in the results of this study lead to the impression that corporations already apply a large set of instruments and tools in order to integrate CR into organisational culture. At the same time, most solutions presented are *limited in scope*:

- *Regional*. Many of the cutting-edge solutions were focused on selected regions. For example, the presented community balanced scorecard is a tool applied in a small subsidiary of the MNC.
- *Divisional*. Other solutions apply for selected divisions of the companies. For example, the green innovativeness performance indicator is a tool only applied in one of the three divisions of the MNC. The mentioned bottom of the pyramid initiative (developing products and services for underdeveloped nations) is a pilot project of a single division.
- *Product/market combination*. Some of the solutions do apply to specific products or markets. This is especially the case with the environmental portfolio. Whilst this portfolio channels organisational resources towards “*environmental technologies*”, it does not say anything about the other products and services the company maintains. Products and technologies critical with respect to CR are simply not included in the environmental portfolio. It is to be assumed that they are treated as business-as-usual.
- *Functional*. The solutions are often focusing on a functional scope. Most important, CR strategies, usually developed within the CR function, are often separate from corporate strategy. In this case, CR strategies may remain a vision of the CR unit without impact on overall business. Some of the tools also remain within functional silos. The mentioned EFQM model, for example, seems to be a model limited to the area of production.

- *Pilots.* Some of the solutions presented were in a pilot phase or still part of a research initiative, hence, promising but not guaranteeing to ever become an integral part of the organisation. Examples are, amongst others, the presented balanced scorecard system, the green innovativeness performance indicator, and product-oriented carbon emission assessment. Sometimes, such initiatives operate “below the radar”, turning into formal corporate instruments once a greater acceptance is achieved.
- *Voluntarism.* Often, solutions stem from a voluntary level. This is especially the case for leadership development initiatives. Most company representatives stated that *formal development programmes* are or ought to be voluntary. This argument was even stronger with respect to vertical development tools like service learning. Considering that a successful CR integration in business requires a shift of executive worldviews and mindsets, voluntarism might be counterproductive. Also, *individual feedback systems* like the 360 degree feedback are used, up to now, in a voluntary fashion. This prevents a more integrated, stakeholder-oriented evaluation of leaders and, hence, requires future changes.
- *Business case.* Most of the initiatives demonstrated in this work follow a business case narrative (i.e. they are pursued for making profits). This is also backed by many of the interview statements saying that the CR function was under increasing pressure to more directly support core business. Whilst it is beneficial when CR and profits are achieved simultaneously, the overemphasis of the business case is risky because not all aspects of CR are covered by this instrumental view (Wagner & Schaltegger, 2003: 9). The sole focus on the business case puts CR at risk to become only another corporate tool for the shareholder value ideology entirely in line with Friedmann’s view that “the social responsibility of business is to increase its profits” (1979).

Overall, the pilots, experiments, and small-scale solutions concerning the integration of CR with leadership instruments shows that companies are far from *mainstreaming CR*. They rather proceed to partial solutions. Reasons for this behaviour need to be explored in future research.

Part IV. SUMMARY AND OUTLOOK

This last part of the thesis has five chapters. *Chapter fifteen* gives a brief summary of the work and the major findings. It also recapitalises the research questions. *Chapter sixteen* and *seventeen* present the implication for theory and management. Subsequently, *chapter eighteen* elaborates the limitations of this work and gives indications for future research. Finally, *chapter nineteen* ends this thesis with a brief outlook (Figure 58).

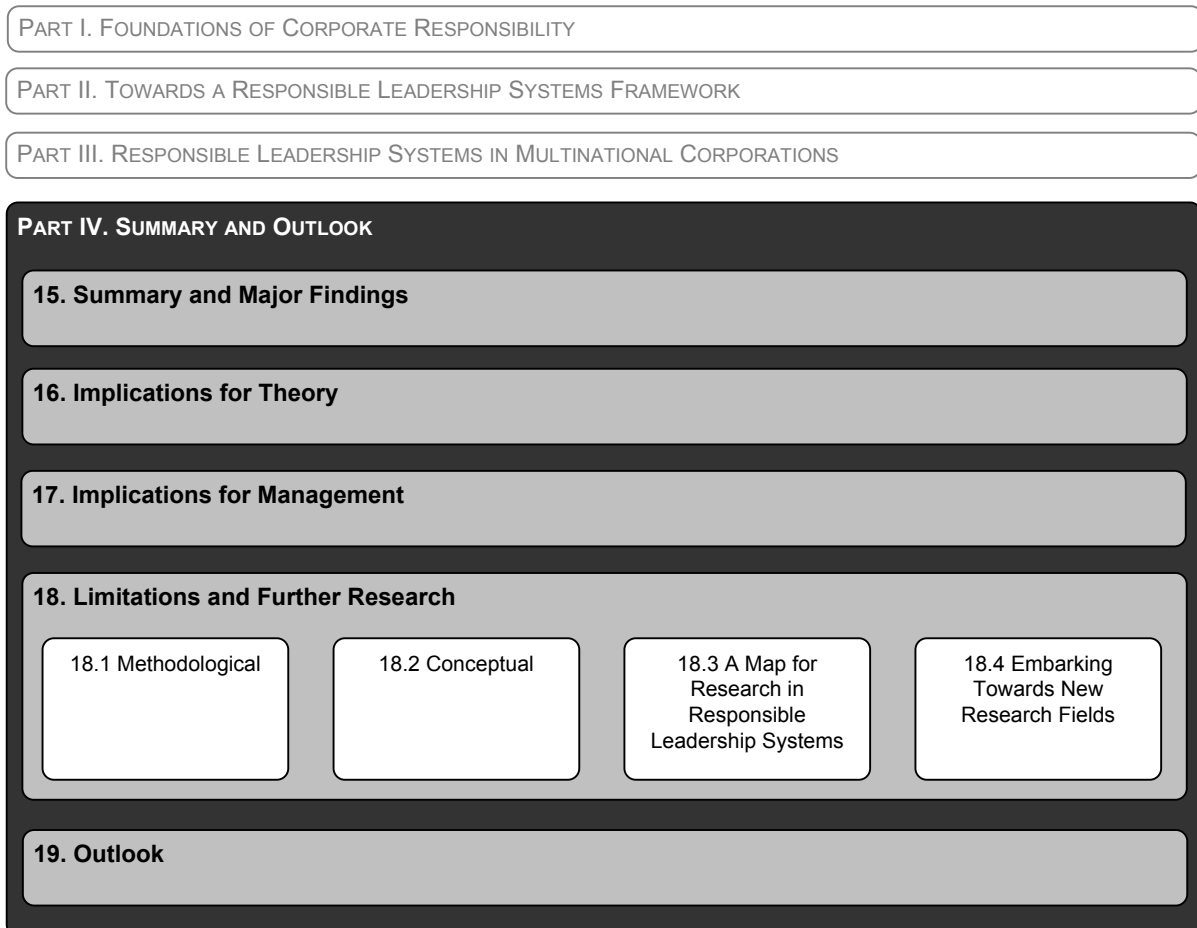


Figure 91 Structure of Part IV

15 Summary and Major Findings

The present work embarked from the diagnosis that we are currently in a time of *shifting societal values* towards greater balance between economic, social, and environmental concerns and that this shift has accelerated through various *excesses of the economic system* both on macro and micro levels. With regard to corporations, the introductory part of this work identifies *CR as key concept* to spur an integration of economic, social and environmental considerations and acknowledges the dedicated *role of leadership* for the *application* of CR in organisations. In large-scale organisations, especially *formal systems* are necessary to invoke broad change throughout the entire leadership hierarchies, across sites, and regional destinations. It has therefore been the objective of this thesis to elaborate the role of CR-oriented leadership systems, operationalised by three detailed research questions:

1. Which formal systems and instruments exist to make CR part of the corporate leadership agenda (“existence”)?
2. How are these systems and instruments implemented in practice (“implementation”)?
3. How are these systems and instruments interrelated in the sense of an overall formal leadership system (“systems perspective”)?

Following the presentation of the problem in the preface, *part I* introduces the concept of CR based on various research fields like CSR, corporate sustainability, and stakeholder management. CR is defined as a broad concept which needs to balance at least three dimensions: First, CR needs to balance economic, social, and environmental capitals; second, it needs to consider the interest of a diverse set of stakeholders; and, third, it distinguishes four categories of responsibilities, namely economic, legal, ethical, and philanthropic. Based on this terminology, two major motivations for CR are presented: The *business case* for CR roots in the assumption that investments in CR ultimately turn into competitive advantage; the *moral case* regards CR as the “right thing to do”. Finally, a developmental perspective on CR is given. Organisational learning for CR occurs in six stages from a stage of *denial* towards a *transformative* stage, where at each subsequent stage CR is integrated more substantial in the organisation.

Based on this fundamental understanding of CR, *part II* introduces the leadership systems framework as a leadership perspective on research in formal systems. The framework structures different types of leadership instruments in a systemic way. It consists of seven fields of leadership instruments: The four *core fields* at the heart of the framework are termed leadership as a day-to-day interactive process; leadership metrics; leadership deployment; and selection of leaders and leadership development. These core fields are framed by the *contextual fields* strategy, structure, and culture. Based on this overarching structure, the remainder of this part reviews literature in both formal systems and CR in order to determine the most important leadership instruments in these seven fields. The result of this part is a conceptualisation of the *RLS framework*.

Part III first describes the *qualitative methodology* of the empirical study. It also presents the design of the *scoring model* used to benchmark organisations with regard to their RLS. Subsequently, the RLS framework is applied in a multi-case study in MNCs. Details on the characteristics and mode of implementation of individual corporate solutions for leadership instruments in each of the seven fields of the framework are presented both in descriptive (ch. results) and in a critically manner (ch. discussion). The results show that there are many instruments at hand, but that they are often limited in their scope of implementation (e.g., functional, divisional, or regional limitations; pilots). The variety of instruments ultimately results in the *RLS Toolbox (I & II)* which is summarised in graphical manner in the following Figure 92.

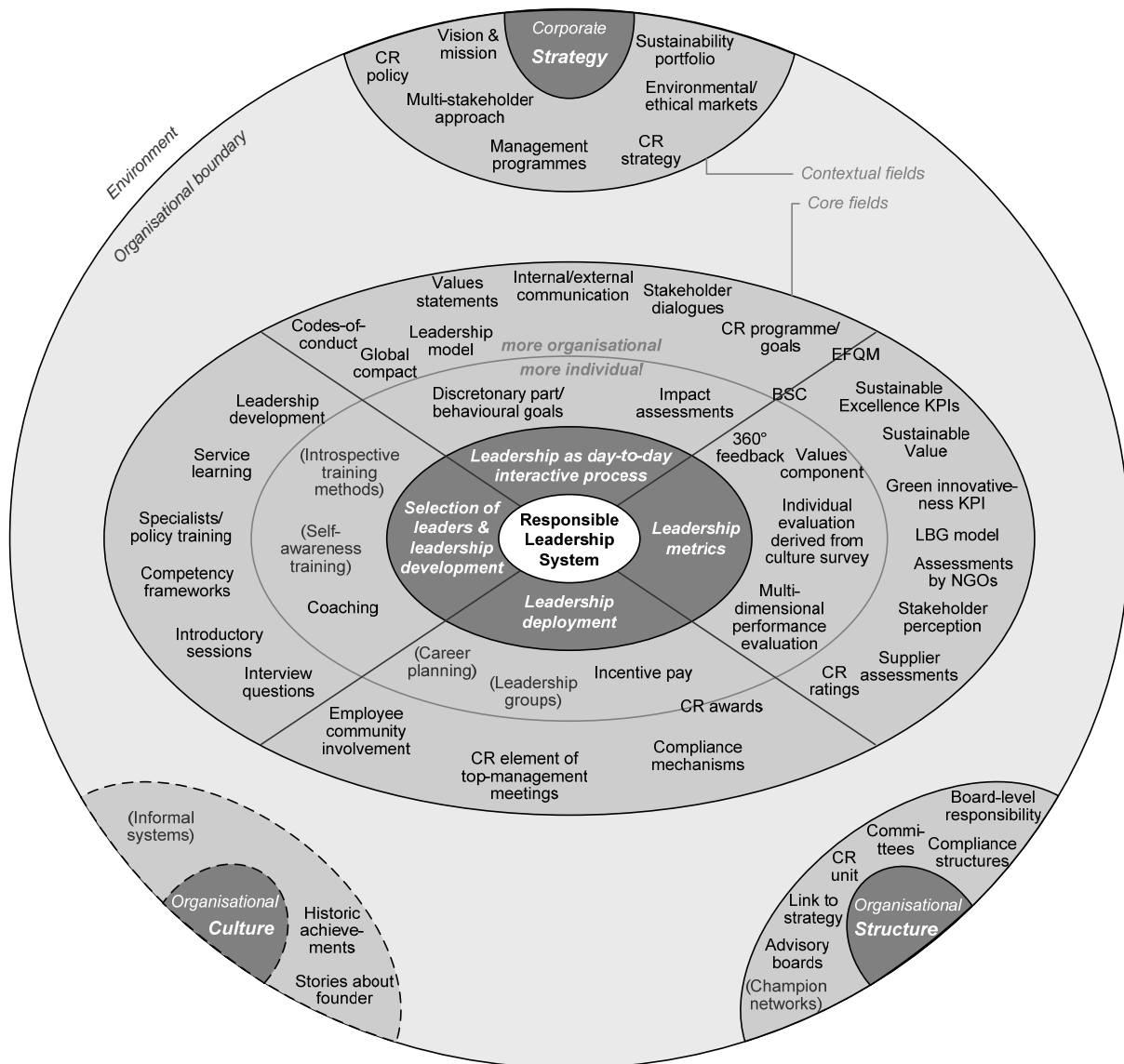


Figure 92 RLS Framework and Instruments Applied in Practice²⁸¹

²⁸¹ Instruments in brackets were not identified in the empirical part, but come from the theoretical framework.

The toolbox enables companies to quickly make gap analyses and take over elements as building blocks in their proper RLS.

These descriptive findings answer the *first two research questions* aiming at the *discovery* of formal leadership instruments to nurture CR, on the one hand, and the analysis of their *implementation* in practice, on the other.

Rooted in the scoring model, a comparative analysis in the sense of benchmarking accompanies the description of qualitative solutions. The benchmarking allows each participating company to identify strengths and weaknesses in each of the framework's fields.

Also, based on *aggregated* scoring data, several high-level analyses are executed: First, the relations between the four core fields of the framework are assessed and lead to the conclusions that a) companies most strongly engage in instruments of the *interactive process* field; b) are less strong in the fields of *deployment* and *metrics*; and c) almost entirely neglect the field of *selection and development*. A second analysis shows that, to date, companies integrate CR in the contextual fields (strategies and organisational structures) more strongly than before. Moreover, companies with strong core fields also possess strong contextual fields (i.e. that core and context fields are somewhat consistent). A detailed analysis shows that each of the contextual fields can be a source of success: Companies with a strong RLS sometimes more strongly emphasise organisational *structures*, others put more emphasis on formal *strategies*. This is also supported by the finding about the *pathways* towards responsible leadership systems which acknowledge that, historically, companies either begin their journey towards responsible leadership systems via strategic initiatives (strategy), departmental activities (structure), or through selection and development efforts aiming at a change in shared values amongst corporate leaders (culture).

By explaining these systemic relationships between the various fields of the RLS, the *third research question* (systems perspective) is answered.

Beyond these results, I identified future trends by analysing planned projects and ongoing developments: In all fields of the RLS framework companies are currently developing new solutions; the strongest trend, regarding core fields, exists in the development of new leadership metrics and, in the contextual fields, in the development of CR-oriented organisational structures.

Finally, an exploratory analysis of the relationship between a RLS and *CR performance* gives reason to expect that improvements of a RLS also lead to improved CR performance and, by this, may also contribute to firm performance.

16 Implications for Theory

Based on the conceptual RLS framework and the related empirical findings, this work has several implications for theory.

The Responsible Leadership Systems Framework

In this thesis, I did not follow either of the “established” frameworks to study formal systems from a normative-ethical perspective (cf. section 8.2, Part II). As of the inappropriateness of the frameworks in regard to my research focus, I further developed the *generic leadership systems* framework by Reichwald et al. (2005) towards a *responsible leadership systems framework*. The empirical investigation demonstrated its applicability in organisational research. The RLS framework, thus, is an excellent framework for studying CR implementation from the perspective of *leading organisational change* (Yukl, 2002: 273ff) and, more specific, from the perspective of formal (leadership) systems.

Distinguishing Performance Metrics on Individual and Organisational Level

Previous studies either treat CR-oriented performance metrics only on the organisational level or do not explicitly distinguish organisational from individual metrics (e.g., Steger, 2004; Wilson, Lenssen & Hind, 2006; Wirtenberg et al., 2007). The current study details extant knowledge by making this distinction. The results show that CR-oriented performance metrics often exist on the *organisational level*, but rarely on the *individual level*, hence, the evaluation of individual executives continues to be focus predominantly on economic metrics. In order to break down CR from a purely organisational subject (mostly limited to the CR unit and other central functions), however, individual metrics are crucial because they can be attached to performance evaluation of a broader group of executives. This calls for an explicit recognition in further investigations.

Distinguishing Horizontal and Vertical Development

This study goes beyond previous research (e.g., Bieker, 2005; Steger, 2004; Wilson, Lenssen & Hind, 2006; Wirtenberg et al., 2007) by identifying the differentiation between *horizontal* and *vertical* leadership development for CR. Whereas horizontal development aims at providing *knowledge and skills* with regard to CR management, vertical development aims at changing the *manager's mindsets* towards a greater open-mindedness for social and environmental concerns in management. I have also emphasised the importance of service learning programmes for vertical-oriented executive development, which is supported in some dedicated studies (Hirsch & Horowitz, 2006; Pless & Schneider, 2006; also: Pinter, 2006). This explicit emphasis of service learning as leadership instrument transcends the understanding of community involvement as a means for social repair, and also considers it a tool for CR-oriented organisational change.

Strategy Follows Structure

Many conceptual management frameworks of CR are rooted in the understanding of formal strategic approaches usually starting with a vision (e.g., Waddock, Bodwell & Graves, 2002); sometimes, these frameworks even follow the structure of a formal *strategic planning process* (e.g., Brunner, 2006; Eckelmann, 2006; Schmitt, 2005). However, the results of the present study show that the companies with the strongest RLS are rather weak concerning CR-

integration in *formal* corporate strategies. In studied companies, it seems that the integration in *formal* strategies happens rather ex-post (i.e., after CR already became somewhat successful in the organisation). The efforts to drive CR in these corporations were often driven by various organisational units like the environmental department or the dedicated CR unit (which also establishes dedicated CR strategies). In this sense, theory should also acknowledge “strategy follows structure” as a valid alternative to the predominant paradigm of “structure follows strategy”. Against this backdrop, alternative strategy conceptions may better serve to understand how organisations adapt CR. The “learning school”, which regards “strategy formation as an emergent process” (Mintzberg, Ahlstrand & Lampel, 1998: 5), or comparable approaches like the one of “post-conventional strategic management” (Deiser, 1994) need to explore this proposition in more detail in the future.

Using Qualitative Research Methods

Method wise, the experience of this study leads to the conclusion that research in CR should *emphasise methods of qualitative research*. This is based on the following: First, the understanding of what CR is and what practitioners understand it to be, often, only develops through time within the interviews. It is questionable if, for example, the isolated use of survey-based techniques could be successful in this regard. Second, corporate responses to CR-oriented research seem to be highly risky concerning *social desirability* (Fernandes & Randall, 1992). Often, corporate experts respond that their company is doing “X” already or that “some kind of measures are in place”. However, when more detailed information is requested, this response often turns out to be vague or exaggerated in the first place. In one interview, for instance, the CR manager stated that leadership development programmes were part of a larger strategic initiative, however, he could not elaborate this in more detail, neither did he want to direct me to the HRD professional in charge. This critique is also shared by Baumann and Scherer (2009). Also, one CR manager indicated critically that CR may only be a “level of simulation”:

“I wonder why you researchers always ask about corporate responsibility, which is a very high-level, abstract construct. You should ask about more specific issues like environmental management, safety, or human resource practices. These are the real issues. CR in a company may only be a virtual level established to simulate things.” (CR manager, DAX)

One consequence from the risk of social desirability is to include, besides *CR professionals*, other *functional managers* and *line managers* in data gathering techniques. In this study, I followed this maxim by also interviewing HR professionals and selected general managers. This strategy should be pursued.

The concerns addressed above also lead to resentments against *data collection methods focusing on pure documentary research*. In this study, I experienced both: In some cases, companies were far beyond what they disclosed through external reporting, either due to a time lag or due to defensive reporting practices. More often, however, solutions and mechanism stated in reports turned out to be “not as sophisticated as one may assume”, “postponed”, or “cancelled”. This happens on all levels: One firm, for example, simply discontinued its CR committee. Another company’s CR goals for HR development were not followed anymore as a consequence of a company restructuration. In another firm, corporate disclosure on the application of balanced scorecards turned out to be “too complicated for

corporate practice”. Taking this into consideration, studies limited to the analysis of corporate disclosure (e.g., Cogan, 2006) rather explain *reporting* practices than *real* practices. For future research in the area, either data should be collected from multiple data source or, at least, limitations have to be indicated more transparently.

17 Implications for Management

The results of this work lead to a multitude of implications for managers, especially in large-scale organisations. All implications are elaborated in detail.

RLS Performance is Linked to CR Performance and Competitive Advantage

Investments into good responsible leadership systems are not necessarily limited to a moral exercise. Three aspects are important. First, though the study sample is too narrow to make definite statements, the data analysis reveals a *link between the extent of a RLS and the CR performance* (as determined by rating organisations). Thus, investments into a RLS also drive CR performance. Considering that CR performance is becoming more important for overall corporate performance (e.g., through mechanisms of reputation, access to financing, and employee morale), it also becomes more beneficial to establish a RLS.

Second, as many of the corporate solutions demonstrate, responsible leadership instruments become more and more *linked to core business* and, hence, have direct impact on an organisation's competitive advantage. This is because today's economic system is increasingly affected by (global) social and environmental challenges. Tools like the *environmental portfolio* or the *green innovativeness KPI* have the power to realign corporations towards promising new markets for environmental technologies as well as towards raising markets of ethically and environmentally concerned consumers. *Stakeholder dialogues* and *stakeholder advisory boards* are structures enabling knowledge transfer into the organisation and can facilitate the analysis of social and environmental trends, opportunities, and risks. Also, some of the instruments, to-date still the domain of leading organisations, quickly become a *common business practice* or a *regulatory policy*. For example, the ability to assess and monitor the supply chain with regard to social and environmental concerns is increasingly required to participate in large tenders.

Third, the serious application of a RLS also requires to refuse deals in the cases of CR-related risks (e.g., projects with negative environmental/social impact, high-risk technologies, refusal of bribes). At the same time, however, a RLS potentially protects against major crises and scandals as well as against the related economic costs resulting from these. Considering these links to performance, investments into RLS can be both morally and economically beneficial.

Leveraging the RLS Toolbox

One of the major results of this work is the *RLS Toolbox* (cf. chapters 13.2.5 and 13.3.4 as well as the summary in Figure 92 on p.241) providing a large set of leadership instruments and tools instrumental to make CR part of the organisational leadership system (i.e. to establish a *responsible leadership system*). The toolbox is not necessarily considered as "the more the better". Managers and especially top-managers should carefully select appropriate instruments and adapt them to their organisational realities. The overall message of the toolbox is that there are broad and manifold solutions at hand which already passed the real-life test in organisations

Each of the four core fields and the two analysed contextual fields give numerous possibilities for managerial action:

- *Day-to-day interactive process.* The integration of CR into *values statements* and *business codes* is pervasive. In case this level of integration is not achieved, management should spur a change process in this regard. These types of instruments seem to be the basis for further integration into the leadership system. With regard to *goal setting*, companies implement CR-oriented goals on an organisational and individual level. As too many goals usually confuse individuals, management has to assign individual CR-goals with care. In the best case, traditional goals are integrated with CR goals (e.g., separate goals for sales increase and decrease of environmental impact could be unified to a single sales goal for environmental-benign products, so far the company moves into a new market for environmentally conscious consumers). An integration can also be achieved using behavioural goals which give additional guidance for the attainment of traditional goals.
- *Metrics.* CR-oriented metrics are a key field of the RLS and current trends show that companies are putting even more emphasis in this area in the future. To measure CR, a set of partial indicators covering specific areas of CR are required. Additionally, a one-dimensional (aggregated) metrics should be developed having the advantage of easy communication. A further alignment with corporate strategy can be achieved by making partial or one-dimensional indicators part of an overall strategic management system like the sustainability BSC. Still, such a decision should be taken with care: Many BSC-implementations fail to become “living” solutions because they become too complex or loose management traction. Successful BSC approaches require a powerful promoter over a longer period of time. The organisational-level metrics can then also be useful in developing metrics for the individual assessment of leaders.
- *Deployment.* Leading corporations align incentive and compensation systems to CR. In some cases, especially regarding *monetary incentives and rewards*, this requires adequate metrics to be in place (cf. prior field above). An important challenge is to design the incentive system in alignment with the various functions in the organisation but at the same time cover managers broadly. Indeed, most companies have only function-specific pay components in the area of CR (e.g., the plant manager has a variable component related to health and safety). Leading companies should also think about components applicable to broader groups (comparable to a general bonus based on corporate performance). Besides monetary incentives and rewards, also *non-monetary* ones are important to facilitate CR in the organisation. This is achieved by applying CR-oriented criteria in the selection of nominees for awards and leadership groups. Last but not least, employee community involvement mechanisms represent incentives for executives to personally involve in social activity even beyond organisational borders (and at the same time increase company reputation). Whilst it is controversially discussed in German companies whether such involvement indeed contributes to CR or sustainable development, each organisation should decide on its own and, if offering such schemes, make sure to establish effective, long-term ECI projects with real impact. Such measures all promote CR using positive incentives. Still, managers should recognise that such a values perspective needs to be accompanied by a compliance perspective: In case leaders fail to comply with corporate rules (especially in regard to CR), compliance systems secure that (negative) consequences are enforced.

- *Selection & development.* Most companies completely lack instruments in the field of selection of leaders and leadership development. Formal mechanisms for *recruiting and selecting leaders*, at best, integrate a values-component. So far, most *development initiatives* remain on the level of very focused trainings with regard to functional expertise (specialists training) or specific policies (policy training) and, further, often remain on a voluntary basis. Top-management needs to be addressed with leadership development initiatives tackling CR as an overarching concept. This should not be limited to teaching of knowledge and technical skills (*horizontal* development), but should also include interventions for shifting mindsets (*vertical* development). Especially vertical development is often beyond the capacity of internal HR development resources. The cooperation with external training providers and educational institutions is a possible solution. An exemplary programme is “ELIAS” (ELIAS, 2007) hosted at the Massachusetts Institute of Technology.
- *Strategy.* Corporate strategy needs to integrate or at least relate to CR. Formal instruments to be revised are vision and mission, strategies on corporate, business and functional level, and the dedicated CR strategy. This is achieved by using CR to critically reassess the business model (e.g., automotive companies think about becoming mobility providers instead of sole vehicle producers) and to explicitly incorporate such aspects into formal strategies. Another alley followed by some firms is the development of so called CR portfolios used to single out CR-oriented products, technologies, and services from the overall portfolio in order to address it with dedicated attention and additional resources. Companies should use such portfolios as an initial change effort; they should, however, know that sub-portfolios dedicated to CR divert from CR-related risks in other parts of the (overall) portfolio.
- *Structure.* Organisational structures are very important for integrating CR in the organisation because they give visibility to the topic and provide resources to coordinate and drive CR-oriented initiatives. Both centralised and decentralised approaches to CR organisation exist – which approach taken is organisation-specific. However, current practice shows that it is best to follow both approaches *simultaneously*. Central bodies like a *CR unit* usually oversee the overall CR approach of the firm. To overcome the risk of “parallel organisations” (i.e. an externalisation of the responsibility for CR to separate organisational entities), decentralised structures are key. One of the most important structures is the *CR committee* consisting of high-level managers from central functions, business units, and regions. Delegating decision-making to the committee can assure broad acceptance of CR-goals. Additionally, it may be appropriate to implement *issues-specific bodies* for pressing issues like carbon reduction. One of the most innovative bodies is a *stakeholder advisory board* consisting of external experts dedicated to advise the board of management in CR-related business decisions. Finally, many large companies struggle with a deep integration of CR across broad hierarchical levels. One key instrument in this regard is a *CR champion network* – a net woven of motivated individuals from all parts of the organisation with the joint mission to bring CR to their area of influence.

The elaboration of instruments above shows that the management needs to take simultaneous action in various areas of the leadership system in order to become responsible. Thereby, change efforts can and should be initiated by both top-management and other executives (on lower hierarchical levels):

- *Top-management* wanting to initiate change, best follows the top-down process of strategic planning starting with the alignment of vision, mission, and formal strategies. At the same time, investments into dedicated organisational structures for CR should be taken. A further integration of CR in formal leadership systems then follows the core fields of the RLS framework: Instruments to raise awareness, to communicate, and to establish goals (*interactive process*); instruments to evaluate performance on organisational and individual level (*metrics*); instruments to link consequences to performance (*deployment*); and instruments to select and develop leaders (*selection and development*).
- *Other executives* (CR managers, functional heads, heads of business units, regional managers) may not want to wait for top-management initiatives and begin change in their own area of responsibility. CR-oriented change is not limited to a formal strategic planning approach. The RLS toolbox presents both overarching corporate approaches as well as lower-level (e.g., function-specific) solutions and, hence, allows executives of various hierarchical levels and functional units to make use of these. An effective strategy can also be to involve in projects “below the radar”. Thus, it remains in the responsibility and courage of individual executives to implement these instruments and, through these, initiate CR-oriented change.

Balancing the Elements of the RLS Framework

The RLS framework incorporates the most important fields of formal instruments important for leading cultural change towards CR. The systemic nature of the framework best mirrors the complex reality of real organisations. Whilst I stated that CR-oriented change can be initialised at various positions within the RLS framework, in the long term, the *systemic* nature of the framework should be acknowledged. Every manager engaged in change towards CR should be aware of these fields and their relationships. A *consistent* system requires the alignment of all its components in the long term (i.e. fields). This also asks for a collaborative approach of various functions. Each of the fields of the RLS framework is predominantly in responsibility of another corporate function. For example, the contextual field strategy closest relates to *corporate strategists*; the field of interactive process with codes, values statements, and goal setting procedures is often in responsibility of the *HR department*; the performance measures on organisational level also requires *controlling specialists*; leadership development is provided by *HR development specialists*. Whilst often the CR unit coordinates these activities, collaboration with all these functions is important. As will be stated below, cross-functional structures can be instrumental in this regard.

Nurturing Cross-Functional and Cross-Business Collaboration

CR covers a very broad range of economic, social, and environmental issues and basically spans across all corporate activities and is, thus, a cross-disciplinary concept. This complexity simply mirrors the complexity of the economic, social, and environmental challenges CR tries

to address. Against this background, it is easily understood that CR cannot be a “project” independently addressed by a staff unit in the company’s headquarters. CR requires engagement of a large set of experts from various disciplines. In the leadership system, this is represented by an increasing trend towards *collaborative instruments* like in the area of organisational structures (e.g., committee structures; cross-boundary collaborative structures; stakeholder advisory boards; one-to-one talks), interactive process (e.g., stakeholder dialogues), and performance metrics (e.g., external stakeholder surveys, 360 degree feedback systems, social and environmental impact by NGOs). Also, in all fields of the RLS framework, NGO partnerships become more important, as they often provide the external expertise for social and environmental issues. By bringing together various constituencies inside and outside of the corporation, cross-disciplinary arrangements also prevent companies from the *risk of parallel organisations* (i.e. the risk that CR is something separate from “real” business). To conclude, in order to implement effective responsible leadership systems, managers should think about cross-disciplinary approaches wherever appropriate and practicable.

Improving Collaboration of CR and HR Functions

One reason for the missing engagement of companies in the field of selection of leaders and leadership development is the *divide between CR and HR functions*. From the data, it seems that they are not collaborating closely. In order to be successful in establishing a responsible leadership system, the HR department is inevitable and needs to be convinced by top-management (or the CR unit). Also, the following paragraph will explain more in detail how organisational arrangements like cross-functional committees help to institutionalise cross-functional collaboration. Also, CR units should leverage instruments like the one referred to as “one-to-one talks” in order to better establish a joint roadmap amongst CR and HR function.

18 Limitations and Further Research

In this chapter, I present limitations of the present study and, based on these, suggest further research. The first section presents methodological aspects, the second section presents conceptual aspects.

18.1 Methodological

The results of this study have to be tempered by its methodological limitations. Foremost, the multi-case study is *limited in depth of analysis* as of only two to four interviews per case. Two problems are related: First, the focus of interviews was on the *CR management*. Thus, there is the risk of a bias and an overestimation of CR-related aspects (e.g., Steger, 2004). Second, whilst I also interviewed executives from areas such as HR and communication, almost all interviewees are executives of *central functions*. Thus, their opinions, perceptions, and experiences may not entirely match the ones of business unit executives and general managers. As of this limitation, it could be interesting to conduct more *in-depth single case studies*. Then, interviews could also include functional managers from sites beyond the headquarters as well as in selected international subsidiaries. Also, business unit managers could give an additional perspective to the case. For such an in-depth analysis, I suggest at least ten interviews per case.

A methodological limitation related to the interview focus on selected unit heads is that such findings only reveal information about *existence* of instruments, but do not give any evidence on the *application* of these. For example, research on balanced scorecards have revealed that the *implementation* of such a system does not necessarily mean that it is *applied* successfully (Schaltegger & Dyllick, 2002). In order to get information on the *application* of instruments, the research methods applied in the case study should be extended. Quantitative methods, which can also be part of a case study design (Yin, 2003), could investigate the role of application of leadership instruments by conducting survey research amongst a larger set of line managers.

The present multi-case study is also limited by its *small sample of analysed cases* (companies). This limitation, however, does not stem from missing generalisation of the limited number of cases because case studies do *not* follow a sampling logic known from statistical analysis (Eisenhardt, 1989: 537; Yin, 2003: 48). Rather, an enlargement of the multi-case study sample could be beneficial in order to uncover more instruments and to get more information on *why* and *how* these instruments became successful and, ultimately, to improve theory. I, thus, propose further research with a sample size of ten to thirty companies.

The *scoring system and process* used in this study has also limitations. Due to few resources, the evaluation was done by a small *internal* research team. Whilst the scoring criteria were guided by literature and exploratory expert interviews, this process can not entirely assure objectivity. Further studies could involve *external experts* in the rating process. Another limitation to the scoring model, which is, however, rather a *conceptual* limitation, is that the scoring of formal systems does not necessarily reveal the real situation in the organisation. Moreover, it misses a “time dimension” because once new formal systems are introduced they

are immediately reflected in scoring results (where, in contrast, organisational realities remain firstly untouched).

Finally, the findings on the explorative *link between the strength of a responsible leadership system and the CR performance* have to be used with care. The assessment using the RLS framework covers some instruments which are also assessed by CR rating agencies (e.g., code of conduct). Thus, RLS “performance” already includes some parts of the CR performance, which makes both “constructs” dependent to a certain degree.

18.2 Conceptual

The holistic framework of the present thesis comes at the cost of a rather high-level analysis of each of the framework’s elements. Some of these elements deserve further analysis.

Core Fields

The core fields require more in-depth analysis. Concerning the field of *interactive process*, further exploratory research could focus on *organisational goal systems*, represented by the so called CR programmes or roadmaps. Whilst the present study applied a very generic assessment of these systems, it is, to date, still unknown how to systematically evaluate and compare them: Are short-term goals better than long-term goals? Should quantitative improvement measures be set in *relative* or *absolute* levels in respect to the production output? These are only some of the questions arising in this area. On a *macro level*, it would also be interesting to calculate the contribution of companies of a sector, region, or country to the sustainability targets set by governments on the national level (cf. Ditz & Ranganathan, 1997: 19f). For example, research could accumulate the goals for carbon reduction of all multinational companies in a specific country in order to give indication for whether national policies are effective, or have to be tightened.

Another field which research needs to advance is *leadership development*. Recent research revealed that the current focus on *horizontal development* (i.e. competencies and skills), by itself, does not suffice to facilitate CR. Development also needs to work on “mindsets” in order to achieve more open-minded leaders, then able to transcend the narrow minded economic orientation. This paradigm change towards *vertical development* requires new types of development programmes which go far beyond traditional classroom-based programmes. Recent research shows that programmes integrating *introspective methods* can be more effective than traditional lectures-based formats (RESPONSE, [2007]). Further research should extend this research stream.

Contextual Fields

I regard each of the *contextual fields* a promising area for further research. Regarding *strategy*, I consider the following aspects: I described the strategy context to cover vision and mission statements and formal strategies. One limitation in the analysis of formal strategies exists in the differentiation of *corporate* and *functional*-level strategies. Functional-level strategies were less formalised and, thus, more difficult to analyse. Further, it remains difficult to judge whether a strategy relates to the corporate level or functional level: For example, if the CR unit is a staff unit below the executive board, is the CR strategy then corporate or functional level? Hence, it is maybe oversimplified to generally relate CR strategies to the functional

level. Further research needs to investigate strategies on these levels and could also consider business-level strategies (Brunner, 2003: 26; Steger, 2004: 47).

As part of corporate-level strategies, one of the companies has involved in a *bottom of the pyramid strategy*. This firm is currently piloting an adapted technical solution for a low-income, low infrastructure market in a developing nation. As of the very recent emergence of the BOP concept and the virtually absence in firms, I did not systematically assess this strategy type. However, future research should clarify the links between BOP strategies, CR, and corporate leadership. As with the other strategies, the question arises whether incorporating domains traditionally approached by development aid institutions (e.g., dedicated to poverty reduction) into corporate strategy, could advance the organisational understanding and culture in regard to CR.

The contextual field *structure* also requires more research. Based on the few existing studies on *organisational structures for CR*, the present study explored the various organisational structures within companies. The findings indicate a large variety on solutions with the two extremes being a highly *decentralised* and a highly *centralised* arrangement. More importantly, the findings demonstrate that the judgement on quantity and quality of such structures remain a very complex task. The simple question about how many people work for CR can, thus, be a challenging one. I suggest further in-depth case study research in order to identify existing organisational arrangements and their interdependencies. Particular interesting is to analyse them from the perspectives of various functions and organisational members participating in these arrangements. The other interesting question is which of the design types (centralised, decentralised) best serves CR. External ratings results and other research (BSR, 2002) reveals that both types of companies receive similar good evaluations. This could be an indicator that additive CR structures do not have an influence on CR performance. However, further research should evaluate this in more detail.

The remaining *contextual field of "culture"* could be also an interesting field of research. In the applied leadership framework, the contextual field covers all semi-formal and implicit aspects of culture like myths and underlying values (the formal artefacts of culture are represented by the other fields of the RLS framework, for example, value statements, codes and guidelines, measurement systems, career advancement mechanisms, and development programmes). These semi-formal and implicit aspects of culture, however, were only superficially investigated in the present study. Further exploratory research should investigate the links between corporate culture and CR.

Concept of CR

Another limitation is related to the *concept of CR*. CR is a very high-level conceptualisation which covers social, societal, environmental, and ethical dimensions and spans across a very broad set of issues (e.g., health and safety, employee training, environmental protection). Although I maintained flexibility to step down from the high-level of CR during the research, I did not systematically cover and explore all of these different dimensions and issues. This has two reasons: First, to cover all aspects in a single study, it would require immense research resources, which goes beyond the settings of explorative projects like the present one. The understanding underlying this approach is that, from the taken formal systems perspective, I am less interested in the specific, operative CR actions (e.g., implementation of

a new safety scheme) and outcomes (e.g., 10 percent less carbon), than in the way such activities can be integrated in leadership instruments on a higher level. However, many of the interviewees stressed the fact that CR or sustainability is a term to be replaced by more specific fields, focal areas, or issues. One of the CR managers expressed this as follows:

“I recognise in many of the interviews [from researchers] that the posed questions address the term ‘CR’. One could also approach it from the other side, and leave the umbrella term away and define CR in terms of specific issues like, for example, training, safety management, environmental protection, etc. Then, you take a more practice-oriented perspective by approaching the related functions and asking them about their progress in these specific issues. The current way of CR research could lead to a situation, where the researchers are presented with a simulation layer [e.g. corporate CR units], which does in fact not exist and which does not have a proper reality, whereas safety management does indeed exist in practice.” (BDE1:§102)

Against this background, it is reasonable to make future CR research focus on more specific issues.

18.3 A Map for Research in Responsible Leadership Systems

The present research roots in the generic leadership systems framework by Reichwald et al. (2005). The construction of a preliminary theory within earlier parts of the present work advanced this original framework in several ways towards the RLS framework. These advances, however, were not all incorporated into the framework in explicit ways. Further, other aspects which I found to be important were not recognised as they were out of research focus of this work. I now elaborate these aspects in order to facilitate further research. In the following, I relate to three levels. Micro, meso, and macro. With regard to the RLS framework, the *micro level* relates to the four *core fields* and the *meso level* to the three *contextual fields*. At some parts of the study, however, the importance of factors became important which are located at the level beyond the organisation (i.e. *macro level*). Suggestions for all three levels are given in the following:

Micro Levels (Core Fields)

In regard to the core fields, I see the following aspects as most important to make explicit:

- *Instruments span across fields*. The present research revealed that not all instruments can be classified in an exact way. Rather, instruments sometimes belong to multiple fields, or are located at the crossroads of two neighbouring fields. To better address this, I propose to present the leadership system as a unity, by making each field seamlessly transcend into subsequent fields.
- *Organisational vs. individual*. There are significant differences in leadership instruments in regard to the position on a continuum from individual to organisational extent. Some instruments more directly impact the individual, whereas other instruments have rather overall organisational impact. For example, individual goal setting directly impacts the individual leader, whilst CR goals in CR programmes and roadmaps remain, first of all, on the organisational level. I address this need for differentiation through a division of the core fields into two embedded ellipses separated by a dashed line (cf. Figure 93 on p. 257). The *inner* ellipse contains instruments with greater *individual* impact, and the *outer* ellipse contains the instruments with greater *organisational* impact.

Meso Level (Contextual Fields)

Regarding the meso-level context, I propose to extend the field of *structure* to also consider other structures than organisational structures. The study revealed that leadership instruments, especially those for performance measurement, depend on other, more *fundamental informational “structures”*, such as sustainability controlling and accounting. Such systems then provide the non-financial information (Brugger, 2008: 26; Müller & Siebenhüner, 2007: 237). For example, to make CR-oriented decisions, decision-makers require also information about social and environmental aspects of that decision (Bieker & Dyllick, 2006: 100). Decentralised organisations furthermore face the challenge to “incorporate an information system that is able to collect data and information to disperse across business units and geography” (Epstein, 2008a: 86). In recognising the importance of such basic information systems, I suggest to follow the St. Gallen Management Model and its adaptation to sustainability (Bieker & Dyllick, 2006: ch 2.2) which regards these systems as part of the contextual field “structure” on the meso level.

Macro Level

On the macro level, beyond the level of the individual firm, the contextual fields gets a new meaning: Corporate *strategy* is linked to the *business context*, organisational *structures* are linked to *ownership structures*, and corporate *culture* is linked to *regional and national culture*. All of the three macro-level fields are further elaborated:

- *Business context*. Siebert identifies the “*business context*”, which relates to the industry an organisation belongs to, as an additional contextual element of the leadership system (Siebert, 2006: 289). Even though industry could also be regarded as part of corporate strategy because the strategy, and especially the portfolio strategy, determines in which industry the company belongs to, I regard the industry and its properties as something external of the corporation. This is also in line with CR literature, which also identifies the business context as important (Epstein, 2008a: 49; Logsdon & Yuthas, 1997: 1219). Furthermore, Epstein (2008a: 49) differentiates into the external context (local and global context, regulatory framework) and the business context (industry sector, characteristics of products and services). For example, the *regulatory pressure* concerning social and environmental aspects varies in different geographic locations, hence, affecting the solution space for corporate discretion on voluntary CR programmes. The *industry sector* is important because CR issues vary in different industries and because companies in high social and environmental impact industries often have greater external pressure to address CR. Accordingly, Steger promotes the “existence of a sector-specific business case” for sustainability (2004: 62). With respect to the *characteristics of products and services*, Steger (2004: 46) reports that industries closer to the consumer engage stronger in CR. Further, the *economic condition* (competition, health of the firm and the economic) influences the likelihood of responsible business practices (Campbell, 2007: 962).
- *Ownership structure*. The firm’s ownership structure can have major impact on the way companies approach CR (Bertelsmann Stiftung & Stiftung Familienunternehmen, 2007: 6). For example, family-owned companies are less exposed to CR ratings and media than publicly quoted companies. Taking into consideration that mixed ownership structures also exist (e.g., some companies have only part of their equity listed publicly, whereas

another part remains in ownership of a family or other large investor), it is even more important to consider ownership structure in the analysis.

- *Regional and national culture.* The results of the study, especially the analysis of the pilot case study in Thailand, raised concern over cultural differences. Indeed, national culture is regarded as one part of the cultural context of leadership systems (Siebert, 2006: 289; Weaver, 2001). Of course, in the same way the regional context can influence the conceptualisation of CR, it can also influence the local corporate culture in headquarters, subsidiaries, and facilities of internationally operating companies. Various cross-cultural studies have been accomplished to describe the influence of national or societal context on organisational culture (e.g., Brodbeck et al., 2006; van Muijen & Koopman, 1994). However, Sackmann (2006b: 127) recognises that “the new workplace realities of firms that act in the context of a globalizing economy go beyond cultural differences at the national level” and that “today's organizations and organizational arrangements may be composed of multiple cultures that co-exist simultaneously within organizational boundaries”. In contrast, based on empirical results, Steger (2004: 62) questions the significance of national culture on CR. As this brief review shows, regional influence on corporate culture seems to be a “mixed bag” and would need much more in-depth study to fully reveal its meaning.

The above advancements lead to the research map presented in the following Figure 93. Thereby, for reasons of representation, I did not incorporate every single instrument in the chart. Rather, I used the “types” of instruments as already introduced in the report on the descriptive results. This new framework is very broad; it does not demand to make it in its entirety the basis of a research project. Rather, in the sense of a *map of the research field*, scholars are encouraged to focus on selected aspects for in-depth analysis.

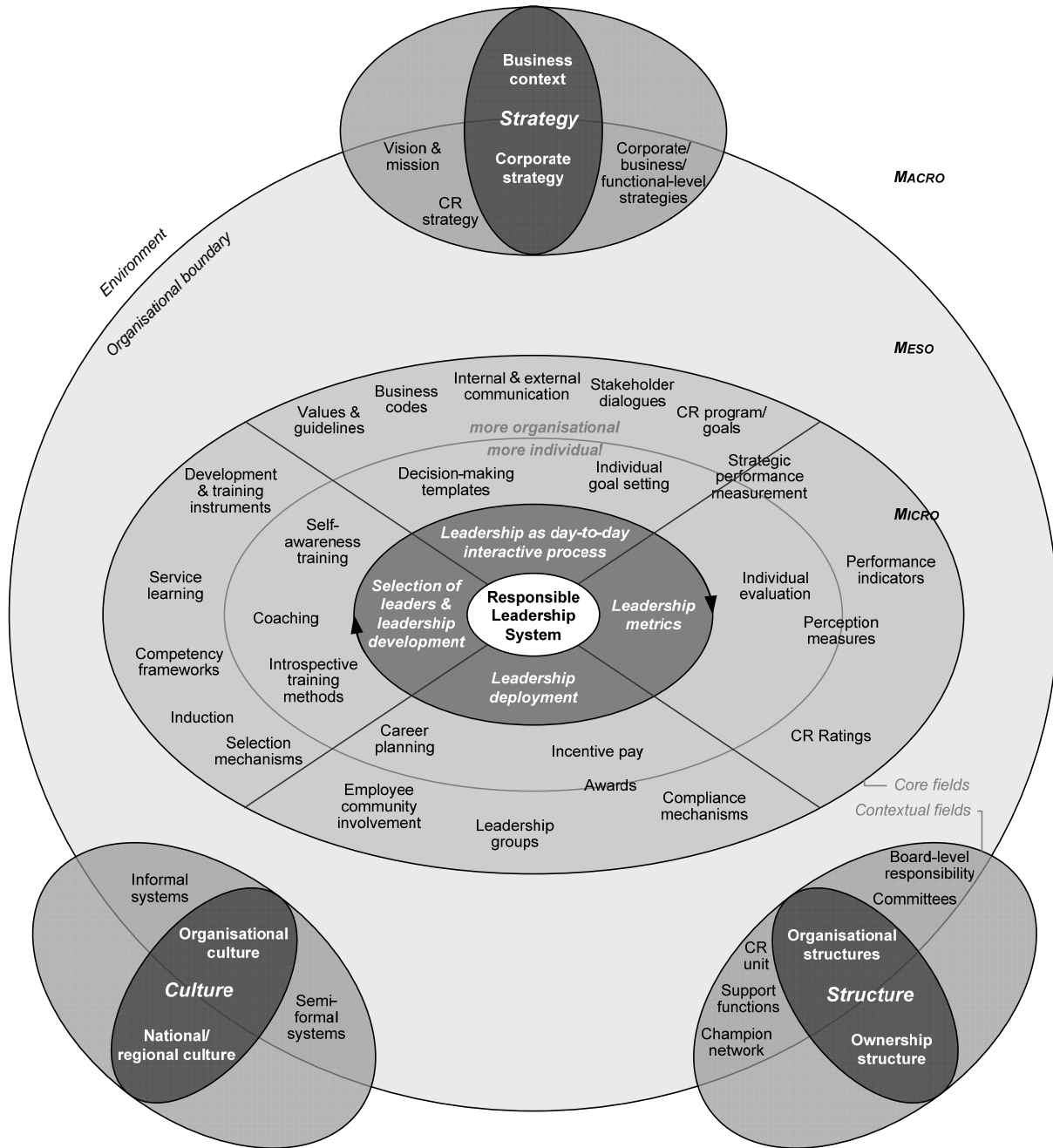


Figure 93 A Map for Research in Responsible Leadership Systems

18.4 Embarking Towards New Research Fields

Some aspects during the study motivate research beyond the current framework. These are presented subsequently.

Systems and Individuals

This thesis focused on instruments, systems, tools, and structures and how they are instrumental to nurture CR. However, these instruments only determine the *likelihood for CR* (Kolk, 2004: 60) rather than actual CR behaviour or performance:

“The recent cases of irresponsible leadership have demonstrated that the mere existence of institutional arrangements such as laws, corporate governance structures, work contracts and job

descriptions may not suffice if leaders are too creative in their interpretation, bypass or even violate them and, hence, do not behave in responsible and ethical ways.” (Sackmann, 2005: 314)

The relationship between systems and individual has a further aspect: At many points of the study, I could recognise that individuals — often charismatic leaders — strongly influenced the system by establishing very innovative instruments. These change agents or “intrapreneurs” (Doughty Centre, 2009; SustainAbility, 2008) belong to various hierarchically levels, including general managers and CR managers. This only underlines that leaders are not only influenced by the system, but they also define the system. It is a relationship best understood by using the analogy of strategy and structure, where “each always precedes the other, and follows it” (Mintzberg, Ahlstrand & Lampel, 1998: 35). Future research should, hence, also investigate *individual leaders* and their traits, motivations, processes, and outcomes with respect to the establishment of responsible leadership systems.

Sustainability-Oriented Innovation

The present study also raises interest in the role of *CR and sustainability in innovation*, which I have related to as sustainability-oriented innovation (SOI) earlier. In most of the core fields and contextual fields, I identified instruments related to innovation: *Portfolio strategies* focussing on environmental technologies or BOP markets are, of course, linked to investments into innovation activities; *codes and guidelines* promote the development of sustainable products; *organisational goal systems* set innovation goals for these sustainability-oriented products; *innovation metrics* measure the success of the sustainability innovation pipeline; more advanced companies deliver *trainings and manuals on sustainable product development*. In sum, SOI seems to be infused in many elements of the RLS framework. Some researchers even argue that innovation of the product and service portfolio is the better leverage for CR than approaches focusing on other aspects. Future research should, thus, investigate the relationship between SOI and the RLS framework in more dedicated form. Though missing out on the focus on CR, a good starting point could be the work by Möslein, Neyer and Reichwald (2006a, 2006b). Moreover, a particularly interesting focus could be open innovation (Chesbrough, 2003; von Hippel, 1988, Reichwald & Piller, 2006), which deals with the integration of customers and other parties into the innovation process in order to guarantee quicker time-to-market and better fit-to-market. For SOIs, this is even more important than with traditional innovations because many of the SOIs fail to achieve the acceptance by the market.

CR Ontology

CR, as cross-disciplinary concept, often experiences misunderstanding in practice (though, also in theory) concerning the exact meaning of the term as well as its meaning for various functions. This *language problem* increases when considering cross-organisational collaboration or mechanisms of stakeholder governance because, then, additional external actors with their proper languages come into play. One possible instrument to tackle this language problem is an *ontology*. Comparable to ontologies used for structuring innovation management (Bullinger, 2008), a “CR ontology” could map the field of CR for a specific unit, company, or cross-organisational body. Further research could address this by both normative and empirical approaches.

19 Outlook

Corporations, with their large-scale organisations often spanning across the globe, have more power than ever to engage in CR and, hence, to contribute to sustainable development. Leading corporations make CR an integral part of products and services across the entire value chain; educate consumers and influence consumer needs; develop their employees in more holistic forms; demonstrate a proactive CR position towards their investors; and engage with governments to develop more responsible market frameworks. As these examples show, CR is a collaborative approach in which companies can take a very influential role.

Conceptually, the responsible leadership systems framework demonstrates that a large set of leadership instruments and tools are at hand to foster CR-oriented change in organisations. Also, empirical evidence shows that MNCs are embarking towards responsible leadership systems. Still, corporate solutions are often partial in terms of scope. Against this background, it remains to see whether corporations more determinately engage in change towards responsible business. Considering the immense challenges faced today, this will be a required step in order to provide healthy, just, and inclusive markets and societies worldwide and, more generally, to provide “prosperity” — not limited to an economic sphere (e.g. gross national products), but also covering non-economic aspects (well-being, beauty of nature, etc.). As an optimist, who has gotten to know many individuals (formal and informal leaders) working towards this change, I believe that this change is possible and has already gained momentum.

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Annexes

A.1 Overview of Interviews Conducted

Name	Position / Titel	Organisation	Date
<i>anonymous</i>	Manager	Anonymous Inc.	14.03.2008
<i>anonymous</i>	CR Manager	Anonymous Inc.	14.03.2008
Baumann, Ernst	Member of the managing board responsible for HR	BMW AG	17.12.2008
Höltzschl, Herbert	Group Representative Sustainability and Environmental Protection	BMW AG	16.06.2008
Schuler, Dr. Verena	Corporate and Governmental Affairs/ Sustainability Communications	BMW AG	16.06.2008
Campino, Dr. Ignacio	Representative of the Board of Management for Sustainability and Climate Change	Deutsche Telekom AG	23.05.2008
Neves, Luis	Head Sustainable Development and Environment	Deutsche Telekom AG	05.01.2009
Henn, Albert	Human Resources Director, T-Mobile Germany	Deutsche Telekom AG	02.03.2009
Bergmann, Dr. Uwe	Head Sustainability Reporting & Stakeholder Dialogue	Henkel AG	30.05.2008
Adamczyk, Sabrina	Intern (Corporate Responsibility)	Linde AG	24.11.2008
Freiberg, Dietlind	Corporate Responsibility	Linde AG	17.12.2008
Vetter, Katarina	Corporate Responsibility	Linde AG	00.01.1900
Schaad, Maria	Public Affairs / Corporate Responsibility	Merck Darmstadt KGaA	08.01.2008
Chotivimut, Cerean	Corporate Communications Manager	Merck Ltd., Thailand	01.11.2007
Chuaywongyart, Sutisophon	Department Manager, Human Resources	Merck Ltd., Thailand	02.11.2007
Elangovan, Govindasamy	Human Resources Development Advisor	Merck Ltd., Thailand	02.11.2007
Hering, Cornelia	Management intern (HRD)	Merck Ltd., Thailand	29.10.2008
Landau, Heinz	Managing Director	Merck Ltd., Thailand	08.09.2007, 01.11.2007
Sextl, Martin	Management intern (CSR & controlling)	Merck Ltd., Thailand	24.08.2008
Suwanna, Somjaivong	CSR Manager	Merck Ltd., Thailand	01.11.2007
Kronen, Daniel	Senior Director, Corporate Responsibility	Siemens AG	30.06.2008
Merz, Christian *	Sustainability Manager	Siemens AG	16.10.2008
Czutka, Mira **	Diversity Officer	W.L. Gore & Associates GmbH	21.12.2007
Hochrein, Kilian **	Environmental Officer	W.L. Gore & Associates GmbH	20.12.2007
Kiehl, Bernhard **	Product Manager	W.L. Gore & Associates GmbH	20.12.2007
Klein, Eduard	Managing Director	W.L. Gore & Associates GmbH	17.01.2008

Table 62 Interviews Conducted in Case Studies (Ordered by Firm)²⁸²

²⁸² (*): Interview conducted by Friedrich Große-Dunker; (**): Interview conducted by Susanne Kuntze

Name	Position / Titel	Organisation	Date
Bachfischer, Dr. Robert	Managing Director and Trainer	Management Centrum Schloss Lautrach	24.04.2008
Deiser, Dr. Roland	Executive Chairman European Corporate Learning Forum	European Corporate Learning Forum (ECLF)	22.08.2007
Möslein, Kathrin, Prof.	Expert in leadership systems	University Erlangen-Nuremberg, Chair for Information Systems I - Innovation & Value Creation; Academic director CLIC- Center for Leading Innovation & Cooperation	18.09.2007
Sackmann, Prof. Sonja	Expert in corporate culture	University Bw Munich, Institut for Human Resources and Organization Research Project leader at Malik Management Zentrum St. Gallen (MZSG)	27.11.2007
Schneider, Ralf	Partner and Head of Global Talent Management	PriceWaterhouseCoopers	07.01.2008
Staffhorst, Christiane	Project Manager	Stiftung Wertevolle Zukunft	08.01.2008
Wagner, Dr. Marcus	Senior Researcher	Technische Universitaet Muenchen, TUM Business School	26.03.2007

Table 63 Interviews Conducted in the Preliminary Expert Study

A.2 Interview Guideline for CR managers

Institute for Information, Organization, and Management.
Prof. Dr. Prof. h.c. Dr. h.c. Ralf Reichwald.



CSR Leadership Study



Generic Interview Guideline



IMPORTANT: This guideline is a generic interview guideline covering the main aspects of the interview. Before the actual interview takes place, company-specific information from secondary sources will be used to adapt the guideline to the actual situation of the company.

Target: CSR Manager / Head of Sustainability Committee / Council

Author: Erik Hansen
TUM Business School
Chair for Information, Organisation and Management
Prof. Dr. Prof. h.c. Dr. h.c. Ralf Reichwald
Leopoldstr. 139
80804 Muenchen
Germany

1 INTRODUCTION

1.1 Instructions for the interview

- If you agree, the interview will be recorded. The audio recording will be used for preparation of the protocol only. Recording can be interrupted anytime on request.
- The protocol of the interview will be emailed to you for approval. Statements can be deleted from the protocol on request.
- All information is used only in anonymous form for publications. Any other form of publication will require your additional approval.
- This interview takes about 1.5-2 hours.

1.2 Information about the interviewee

- Q1) What's your exact job position and title? Business card?
- Q2) What is your background?
a) education? previous jobs?
- Q3) How long are you in
a) this position? in this company?
- Q4) Optional: Participation in Leadership Excellence study in 2003

1.3 General questions

- Q5) Do you see a link between CSR and leadership? Where exactly?
- Q6) How do you judge the approach of "hardwiring" responsibility into the organisational structures and leadership structures ?
- Q7) (Is it possible to introduce "responsibility" / CSR with top-down approaches?)

2 CSR LEADERSHIP: CONTEXT FIELDS

2.1 Strategy

- Q8) According to Zadek's CSR stages...

STAGE	WHAT ORGANISATIONS DO
Defensive	Deny practices, outcomes or responsibilities
Compliance	Adopt a policy-based compliance approach as a cost of doing business
Managerial	Embed the societal issue in their core management processes
Strategic	Integrate the societal issue into their core business strategies
Civil	Promote broad industry participation in corporate responsibility

- a) Where do you see your company currently?
- b) Where do you see your company in the next 3 years?

Q9) Is CSR part of the business strategy?

- a) Why? Why not?
- b) Is an incremental or radical (product portfolio) strategy followed?
- c) How is this reflected in the company's organisation / processes?
- d) Since when?
- e) entire company vs. selected business units

2.2 Structure

Q10) In how far do you think that the legal structure influences your company's CSR approach?

- a) ownership: foundation / family / public / mixed-mode

Q11) How is CSR set-up in your organisation?

- a) Responsible department: HR / Environment & Safety / CSR department / Committees / Council
- b) How many people work for CSR (exclusive vs. shared responsibility) ?
- c) How often does the council or committee meet with CR on the agenda?
- d) Top-leadership responsibility:
 - i) CEO / General Manager
 - ii) board responsibility
- e) Is the sustainability manager part of corporate strategy?
- f) Global structure: decentralisation / centralisation

2.3 Culture

Q12) Which role has corporate culture for CSR?

- Q13) How relates the corporate culture of your company to CSR?
- Q14) Does the culture / the values of the founder play a role?
- Q15) How does the country's culture influence your company's CSR approach?
- a) Optional: headquarter vs. local country
- Q16) (Does your company aim at a high performance culture?)
- a) High performance culture and CSR – what's the relation?

3 CSR LEADERSHIP: LEADERSHIP SYSTEM

3.1 Internal & external Stakeholder Interaction (L1)

3.1.1 General

- Q17) Which role plays (internal/external) CSR communication and dialogue in your organisation?
- Q18) Which stakeholders did you identify as strategic/primary?
- Q19) Which stakeholders are directed with CSR?
- a) Investors, employees, customers, suppliers, communities, society at large
- Q20) How does your company specifically deal with investors/owners in terms of CSR?
- a) If a subsidiary: How to deal with the headquarter?

3.1.2 Mostly one-directional instruments

- Q21) Which instruments are used to communicate the company's CSR approach?
- a) Vision, mission and values
 - i) integrated vs. separated sustainability vision/strategy
 - b) Management programmes / strategic programmes
 - c) Decision-making processes?
 - d) Codes of conduct / Code of ethics
 - e) Leadership Guidelines
 - f) CSR reports (annually vs. bi-annually)
 - g) CSR magazine / newsletters
 - h) Employee magazine
 - i) Speeches (top-management)

3.1.3 Bi-directional and dialogic instruments

- Q22) Which instruments are used to involve stakeholders into CSR management?

- a) Stakeholder dialogue (meetings, forums) / Surveys / ...

3.1.4 Interaction via target setting (crossover to CSR performance metrics)

Q23) CSR targets on corporate level:

- a) How are targets set on corporate level?
 - i) Targets for results in external CSR ratings / participation in indexes (e.g. DJSI)
 - ii) Application of continuous improvement (TQM)
- b) How are targets communicated?
 - i) Vision / CSR reports / GRI reporting / Global compact reporting

Q24) Are CSR targets set on individual level: board, top-management, management

- i) MBO

3.2 CSR Performance Metrics (L2)

Q25) How does your company assess the CSR performance?

Q26) Which role does 'continuous improvement' play for CSR?

Q27) In how far can published CSR targets/ Gap analysis be regarded as performance measurement? What's the internal background on that?

Q28) What is the relevance of qualitative goals?

Q29) KPI's used to measure CSR:

- a) (standard KPI's from EHS / EMS / SMS)
- b) KPI's or measurement systems beyond EHS
- c) EFQM
- d) Reporting to Global compact / Reporting according to GRI
- e) Other concepts (e.g. "sustainable value")

Q30) Surrogate measures

- a) Stakeholder measurement (survey data, e.g. "SPIRIT")
- b) other survey-based measurement

Q31) Evaluation by external groups:

- a) Audits & Standards (e.g. ISO 26000)
- b) In how far are external CSR Ratings used as internal performance measure?
- c) In how far are services of such agencies exploited?

Q32) Integration into strategic tools

- a) e.g. sustainability balanced scorecard (S-BSC)

- Q33) Performance of the individuals
a) Feedback criteria (180/360°) / culture surveys

3.3 CSR Deployment (L3): Incentives and Compensation

- Q34) Which role do incentives and compensation play in CSR?
- Q35) Which incentives for leaders can you imagine to motivate CSR-oriented action?
- Q36) Does your company use some of the following incentives to stimulate CSR?
- a) non-monetary
 - i) recognition / status
 - ii) "liberation" (volunteering)
 - iii) leadership groups
 - iv) special projects / board awareness etc.
 - v) success stories e.g. of responsible leaders
 - vi) awards
 - b) monetary
 - i) bonus or variable parts according to CSR-KPI's (environment, safety, etc.)
 - ii) MBO
- Q37) Are there any compliance systems to avoid irresponsible behaviour
- a) whistle blowing against corruption, zero-tolerance etc.)?
 - b) is compliance regarded as means to detect corruption or to detect any
- Q38) Other consequences
- a) e.g. influencing the carrier

3.4 Selection of Leaders and Leadership Development (L4)

- Q39) Do you think development programs can help to promote CSR in the organisation / to change the culture?
- Q40) "Values can't be taught, but are part of the education received by the family". Your opinion?
- Q41) Which instruments for development do you see as appropriate for that?
- Q42) Is CSR somehow part of defined leadership competencies or skills?
- Q43) In your company, which instruments are used for leadership development:
- a) internal programmes / corporate university / other external programmes
- Q44) Does leadership development in your company integrate CSR?
- a) on which management level?
 - b) type of integration:
 - i) theoretically: the concept of CSR is a subject in certain development sessions
 - ii) practically: Utilization of outdoor programmes (community projects, volunteering) as development programs
- Q45) Are external leadership development / executive training programs offered that integrate CSR?
- Q46) Does CSR (values) play a role in promotion / selection of leaders? In how far?
- Q47) (Is CSR subject in development programmes for employees in general?)

3.5 Systems perspective on CSR Leadership System

- Q48) What is your opinion about the following statement: "A successful CSR implementation requires instruments in all four CSR Leadership clusters"?
- Q49) How (which cluster/context field) did your organisation approach CSR first? In which order?
- Q50) How do you assess the relative importance of the 4 clusters (and context fields)?
- Q51) Which was the most important instrument used?
- Q52) Regarding your company, please compare the current importance of the clusters with the importance anticipated for the next 3 years!
- Q53) Are there any new CSR projects planned which have relevance for the CSR Leadership Framework and which were not mentioned yet?
- Q54) Centralisation vs. Decentralisation:
- a) What is the scope of instruments discussed in terms of subsidiaries worldwide?

4 CLOSING QUESTIONS

- Q55) Do you support the CSR Leadership framework as a generic tool for analysis?
- a) Do you support the framework's clusters and context fields?
 - b) As of your opinion, which relevant issues are missing in the framework, regarding CSR and leadership?
- Q56) Any other comments, suggestions or requests?
- Q57) Is your company eventually interested in further participating in the study (interviews with functional experts, with experts from subsidiaries or/and with the top-management)?
- Q58) Can you recommend other experts who could be relevant for this study?
- a) from other departments
 - b) from subsidiaries with extraordinary engagement in CSR?
 - c) from other companies, competitors, suppliers, customers or NGO's?

Thank you very much for your contribution!

